

Vermont Legislative Joint Fiscal Office

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Understanding the Common Level of Appraisal

1. **What** is the common level of appraisal (CLA)?

Across the State all 259 towns and gores maintain data on each of the property values in the jurisdiction. Each town determines assessed values and sets the timing of reappraisals. It is not practical or possible for towns to reappraise each year, therefore there is a divergence between the assessed value and the fair market value. The fair market value is an estimate of the potential sale price of the property on the current real estate market.

The common level of appraisal (CLA) adjusts the locally assessed property values to the estimated fair market value. The CLA ensures that each town is treated equally and uniformly – regardless of when they last appraised. The CLA is unique in each town and is calculated annually by the Department of Taxes.

Example:

A property that is appraised in Town A for \$250,000 recently sold for \$275,000. Next door, in Town B, a property that is appraised at \$270,000 recently sold for \$275,000. A third property in Town C was appraised at \$300,000 and recently sold for \$275,000.

Town	Assessed Value (Appraised)	Fair Market Value (Sale Price)	CLA
A	\$250,000	\$275,000	90.91%
B	\$270,000	\$275,000	98.18%
C	\$300,000	\$275,000	109.09%

Note that in this example we are only looking at one property sale in each town. In practice all of the sales in a town over the past three years are used to determine the adjustment factor.

2. **Why** the CLA?

Vermont has a statewide education fund and property tax system to ensure that all schools have equal access to funding. The use of a statewide formula requires that all properties are evaluated equally for the homestead and nonhomestead education taxes. To ensure equitable treatment, all properties across the state are taxed on their fair market value.

3. **How** does the CLA affect property tax rates?

In practice, the CLA is used to adjust both the homestead and nonhomestead education tax rates instead of changing the assessed value of the tax payer's property.

Mathematically, this provides the same result, ensuring that all properties are evaluated at their current/fair market value.

The CLA applies only to property. Education taxes that are paid based on household income are not affected by the CLA – household incomes do not need to be adjusted on a town-by-town basis.

The CLA is not required for municipal property taxes. Because the town is the taxing and appraising entity, values and rates can be unique to the town.

Example continued:

Towns A, B, and C are members of the same school district. They share education expenses and therefore have the same education tax rate. For this example, the equalized district tax rate is \$1.55. Each town’s tax rate is the equalized district rate divided by the CLA: the property in Town A receives a tax bill that shows a rate of \$1.7049; the properties in Town B and C receive tax bills that show rates of \$1.5787 and \$1.4208 respectively. All three properties owe \$4,262 of education property tax based on the fair market value (\$275,000) of the property.

In this simplified example, the income-based property tax adjustments are not included in the analysis.

Town	Equalized District Tax Rate	Town Tax Rate	Education Tax Paid ¹
A	\$1.55	\$1.7049 (\$1.55/90.91%)	\$4,262 (\$250,000/100* \$1.7049)
B	\$1.55	\$1.5787 (\$1.55/98.18%)	\$4,262 (\$270,000/100 * \$1.5787)
C	\$1.55	\$1.4208 (\$1.55/109.09%)	\$4,262 (\$300,000/100 * \$1.4208)

4. **Who** determines the CLA?

Each year, the Department of Taxes performs a study that compares the listed/assessed value of property in each town to the price for all the sales in each town over the past three years. Generally, the study considers sales price to be the best measure of fair market value. The result of the study is the common level of appraisal (CLA) – the calculated ratio of assessed value to fair market value for each town.

¹ Education property tax rates are applied to every \$100 of property value.