

The Impact of CLAs and Reappraisals on Property Taxes



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What happens to Municipal Taxes in a Reappraisal?

- At the town level, the town will divide its budget by its new grand list to get the new municipal tax rate (which will probably be lower in an appreciating market)
- At the individual property level, if the change in listed value is consistent with the town average, the new municipal tax bill should be about the same as it would have been without the reappraisal

What is a CLA?

- ◆ A CLA (Common Level of Appraisal) is a factor applied to a town's education property tax rates to make sure the town is sending its fair share to Vermont's Education Fund.
- ◆ CLAs for each town come from PVR's annual Equalization Study, which compares grand list values to sale prices over the prior three years
- ◆ CLAs are an example of "indirect equalization" because they are applied to the town's tax rate, not the property value of the owner
- ◆ A town where properties are generally selling for less than they're listed for in the Grand List will have a CLA over 100%. A town where properties are selling for more than they're listed for will have a CLA under 100%.

How is the CLA Applied?

Example:
Montpelier, FY23

Homesteads: Per pupil spending divided by “property yield” =
Equalized tax rate

Per pupil spending is \$18,027; yield is \$13,314

$\$18,027 / \$13,314 = 1.354$

Equalized tax rate divided by CLA = Actual tax rate

$1.354 / 80.76\% = 1.6766$ (per \$100 of property value) is the
actual homestead rate taxpayers see on the bill

The actual non-homestead rate in a town is the uniform
statewide non-homestead rate divided by the town’s CLA

How is the CLA calculated in a reappraisal?

- A reappraisal year CLA is calculated differently than a normal year. It is equal to the town's new total listed value divided by PVR's most recent estimate of total equalized grand list value ([32 V.S.A. § 5406](#))
- South Burlington reappraised for 4/1/21
- New Listed Value: ~\$3.99B
- Most recent equalized education grand list (December 2020): ~\$3.56B
- Reappraisal CLA: $3.99 / 3.56 = 112.03\%$

What happens to the education tax rate in a reappraisal?

- In an appreciating market, the CLA will go up in the year of the reappraisal which will drive the actual tax rate down. If an individual property increases in value consistent with the townwide average, the education tax bill will be roughly level (all other things held equal).

<u>South Burlington Example</u>		
	CLA	HS Rate
FY20	93.28	1.6030
FY21	89.92	1.6337
Reappraisal as of 4/1/21		
FY22	112.03	1.3249
FY23	100.99	1.2953

Example: Jim and Jane's South Burlington home had been listed at \$350,000 since South Burlington last reappraised in 2006. In 2021, South Burlington did a reappraisal, and the new listed value was \$450,000.

South Burlington Example				
	CLA	HS Rate	Listed Value	Gross Taxes
FY20	93.28	1.6030	\$ 350,000	\$ 5,611
FY21	89.92	1.6337	\$ 350,000	\$ 5,718
Reappraisal as of 4/1/21				
FY22	112.03	1.3249	\$ 450,000	\$ 5,962
FY23	100.99	1.2953	\$ 450,000	\$ 5,829





How are education property tax credits calculated?

- The credit is calculated as the difference between tax based on housesite value and tax based on income (which is the voted town income rate x household income).
- For households with income of \$90,000 or more, the credit covers the housesite taxes on up to \$225,000 of *equalized* value
- For households with income up to \$90,000, the credit covers the housesite taxes on up to \$400,000 of *equalized* value
- For households with income up to \$47,000, the credit still covers the housesite taxes on up to \$400,000 of equalized value, but the income rates are set in statute

What's going on with equalized tax rates?

When property values go up statewide, the yields go up

And when the yields go up, equalized rates go down

Yields and Average Equalized Rates: FY22 – FY24			
	FY22	FY23	FY24 (Forecast)
Homestead Yield	\$11,317 	\$13,314 	\$15,479
Avg. Homestead Equalized Rate	\$1.52 	\$1.39 	\$1.31

How do the yields going down effect the credit coverage limits?

<u>South Burlington Example</u>					
	CLA	HS Rate	Equalized Rate	\$400,000	Maximum Taxes Covered
FY20	93.28	1.6030	\$ 1.4953	\$ 400,000	\$ 5,981
FY21	89.92	1.6337	\$ 1.4690	\$ 400,000	\$ 5,876
Reappraisal as of 4/1/21					
FY22	112.03	1.3249	\$ 1.4843	\$ 400,000	\$ 5,937
FY23	100.99	1.2953	\$ 1.3081	\$ 400,000	\$ 5,232

How is the example household's net education tax impacted?

- The reappraisal did not significantly increase their taxes, but the equalized tax rate going down will lower the amount of taxes sensitized by the credit.

South Burlington Example										
	Gross Taxes	min	Limit	-	Income Tax*	=	Credit**	Net Taxes		
FY20	\$	5,611	\$	5,981	\$	1,215				
FY21	\$	5,718	\$	5,876	\$	1,195	\$	4,396	\$	1,322
Reappraisal as of 4/1/21										
FY22	\$	5,962	\$	5,937	\$	1,220	\$	4,523	\$	1,439
FY23	\$	5,829	\$	5,232	\$	1,090	\$	4,717	\$	1,112
FY24							\$	4,142		???

*Assume constant income of \$50,000 per year

**The credit a household earns in one year is applied to the following year's bill

You made it! Where can you learn more?

- ◇ FY24 CLAs from PVR's 2022 equalization study are posted here:
<https://tax.vermont.gov/municipalities/reports/equalization-study>
- ◇ Current year (FY23) education tax rates are posted here:
◇ <https://tax.vermont.gov/property/education-property-tax-rates>
- ◇ That part of our website also has some “frequently asked questions” (FAQs) related to tax rates and bills:
◇ <https://tax.vermont.gov/property/education-property-tax-rates/faqs>