



State of Vermont
Department of Taxes
133 State Street
Montpelier, VT 05633-1401

Agency of Administration

December 2, 2024

Rep. Krowinski, Speaker of the House
Sen. Baruth, President Pro Tempore
Vermont State House
115 State Street
Montpelier, VT 05633-0004

Dear Speaker Krowinski and President Pro Tempore Baruth:

The Commissioner of the Vermont Department of Taxes, after consultation with the Agency of Education, the Secretary of Administration, and the Joint Fiscal Office, is required by 32 V.S.A. § 5402b to calculate and forecast a property dollar equivalent yield, an income dollar equivalent yield, and a non-homestead tax rate by December 1. This letter fulfills that statutory obligation.

Key Considerations from the Administration's Point of View

Property taxes have been increasing at an unsustainable and unprecedented pace, even as new revenues have been added to the Education Fund, including a short-term rental tax and expansion of sales tax last year, and one-time money from both the Education Fund and General Fund have been used to buy down rates. Despite all of these additional revenue sources, Vermonters still faced a nearly 14% increase in the statewide average property tax bill this year. If the rates projected in this letter go into effect, Vermonters will have seen a 33% increase in education property taxes between FY23 and FY26.

This year, the projected 5.9% average property tax bill increase is comprised of a projected increase in education spending of nearly \$115 million, as well as pressure from the \$69 million of one-time money used last year. Helping to offset a portion of that pressure is about \$33 million projected to be available in the Education Fund as unreserved/unallocated revenue from FY25.

It is important to acknowledge the work school districts are doing to be thoughtful in budgeting knowing members of their communities are already struggling to pay their taxes (and other increasing costs of living). Therefore, it is paramount we pursue changes to reduce property taxes and restore long-term sustainability.

I encourage readers to review the recent [Agency of Education report](#) on Vermont's Education Funding system, and how it compares to other states. It outlines important considerations for the future.



The Administration believes achieving sustainability and reducing property taxes will require a strategy that focuses on how much we **spend**, and how we **fund** and **deliver** education services. The strategy will need to ensure high levels of accountability, transparency, and fairness for taxpayers and students across Vermont. The Administration will propose a framework for discussion during the legislative session that builds upon prior proposals and recent statewide discussions around the best path forward for Vermont in the short-and long-term. Modernizing our education funding system is complex and will take a multi-phased approach that will be challenging, but will be worth it when we achieve a world class educational system that taxpayers can afford.

The Administration and the Legislature will need to work together to further reduce the burden of next year’s projected increase on Vermonters who are still grappling with how to pay for this year’s historic increase.

5402b(a)(2) Mandated Forecast

In the statutorily mandated calculation and recommendation under 32 V.S.A. 5402b, the Commissioner must assume the following:

1. The homestead base tax rate is \$1.00 per \$100.00 of equalized education property value;
2. The applicable percentage under 32 V.S.A. 6066(a)(2) is 2.0;
3. The statutory reserves under 16 V.S.A. § 4026 are maintained at five percent; and
4. The percentage change in the average education tax bill applied to homestead property, non-homestead property, and taxpayers who claim a property tax credit is the same.

The values in the FY26 column in the following table meet the parameters of the required calculation. Vermont property owners would see an average increase of 5.9% in their education tax liabilities if these yields and non-homestead rate were adopted.

	FY25 (for reference)	FY26
Homestead Property Yield	\$9,893	\$8,553
Income Yield	\$10,110	\$12,260
Statewide Non-homestead Property Rate	\$1.391	\$1.791

Please note that the FY26 homestead property yield amount and statewide non-homestead rate shown in the table above reflect the new “statewide adjustment” calculation prescribed by Sec. 15 of Act 183 of 2024. Because of that, the homestead property yield and non-homestead rate forecast for FY26 are not directly comparable to the FY25 amounts. The new statewide adjustment component will not impact how much taxpayers owe in FY26 or how much property tax revenue the state will collect. More information about the statewide adjustment, along with preliminary estimates of FY26 statewide adjustment factors for all towns is available here:

<https://tax.vermont.gov/statewide-adjustment>.

Average Actual Education Tax Rates

The average statewide 2024-2025 (FY25) education tax rates would be as indicated in the table below. For homesteads, the rate taxpayers see on their bills and reflect both the locally voted per-pupil spending and the adjustment factor for the town level of appraisal. The non-homestead rate is uniform statewide but adjusted for the town level of appraisal. The income rate impacts the credit amount for those income-eligible homesteads who will receive a credit to their FY27 property tax bills based on their FY26 property taxes.

	FY25 (for comparison)	FY26
Average Homestead Property Rate	\$1.65	\$1.75
Average Non-homestead Property Rate	\$1.71	\$1.82
Average Income Rate	2.33%	2.38%

Education Spending Growth

On a per (weighted) pupil basis, the expected growth in spending is forecast to be 7.0% on average.

	FY25 (for comparison)	FY26	Rate of Growth
Total Education Spending (\$Millions)	\$1,880.6	\$1,995.2	6.1%
Long Term Weighted Average Daily Membership (LTWADM)	142,810	141,596	-0.85%
Average Per Pupil Spending	\$13,169	\$14,091	7.0%

For the current 2024-2025 school year (FY25), the range of per (weighted) pupil spending among districts that operate at least one school is \$10,135.39 to \$18,270.47.

My thanks go out to those on my team at the Tax Department, as well as the Agency of Education, Joint Fiscal Office, and Department of Finance and Management who worked together to produce the consensus mathematical forecast. It is detailed and meticulous work that requires an aggressive timeline.

The Administration looks forward to finding solutions with the Legislature this session.

Sincerely,



Craig Bolio
Commissioner, Department of Taxes