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*Agency of Administration*

**For Immediate Release**

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**Commissioner of Taxes Releases FY2022 Education Yield Letter**

Montpelier, Vt.,— Commissioner of Taxes Craig Bolio has released his December 1 education tax rate letter which forecasts the education tax yields for resident homeowners and the non-homestead tax rate for the upcoming fiscal year (FY) 2022. Using statutorily prescribed calculations, the Agency of Education, Department of Taxes, Department of Finance and Management, and Joint Fiscal Office collaborate to project the yields and rate based on these statutory assumptions.

The forecasted FY22 homestead yield is \$10,763 compared to \$10,998 for FY21 (the current property tax year). The forecasted FY22 income yield is \$12,825 compared to \$13,535 for FY21. The average homestead tax rate is forecasted to increase by 9.5 cents over FY21. The statewide base non-homestead tax rate is forecasted to increase by 10 cents. This represents about a 9 percent education tax increase, on average, for all property taxpayers.

“It is important for Vermonters to know this is a forecast put together according on statutorily prescribed parameters,” said Secretary of Administration Susanne Young. “For fiscal year 2019, the forecast was similar, but due to the hard work of school districts as well as spending decisions made between the Administration and the Legislature, the average homestead rate did not increase at all and the nonhomestead rate increased about 4 cents. Just like we did then, the Administration is committed to mitigating the impact of these uncertainties on property taxpayers, to the greatest extent possible,” Young added.

There are two significant elements impacting the rate forecast this year. First, the economic downturn due to the COVID-19 pandemic has significantly reduced the forecast for non-property tax revenues that go to the Education Fund. In August of this year, the FY2022 forecast for these funding sources was reduced from \$590.9 million to \$552.1 million. These revenue sources include 100% of Sales and Use Tax, 25% of Meals and Rooms Tax, 33% of Purchase and Use Tax, and lottery proceeds. This downgrade in the revenue forecasts alone accounts for over 4 cents on the property tax rate. Additionally, due to calculations from the State Treasurer, this year the projected cost of teachers’ retirement to the Education Fund is \$38.9 million, up from \$6.9 million last year. This accounts for approximately 3.5 cents on the forecasted rate. Importantly though, as in all years, changes in each district’s per pupil spending will result in very different property tax impacts across the state, as locally voted spending amounts are still the primary determinant of a town’s homestead education tax rate.

While there is always an element of uncertainty in forecasting rates, this year the COVID-19 pandemic has created

extra uncertainty, meaning these forecasted rates are not inevitable. While the forecasts of non-property tax revenue sources were reduced due to the pandemic, the future path of the virus could require further adjustments to those forecasts. It is also unknown what future federal stimulus may look like, or how that stimulus could impact property tax rates. Changes in these areas would lead to changes in the ultimate rates for FY22.

Additional resources for understanding education tax rates are available on the department's website at <http://tax.vermont.gov/property-owners/understanding-property-taxes/education-tax-rates> and from the Vermont school boards association at <http://www.vtvsba.org>.

