

Equalization Study

CLA and impact of COVID on property tax values

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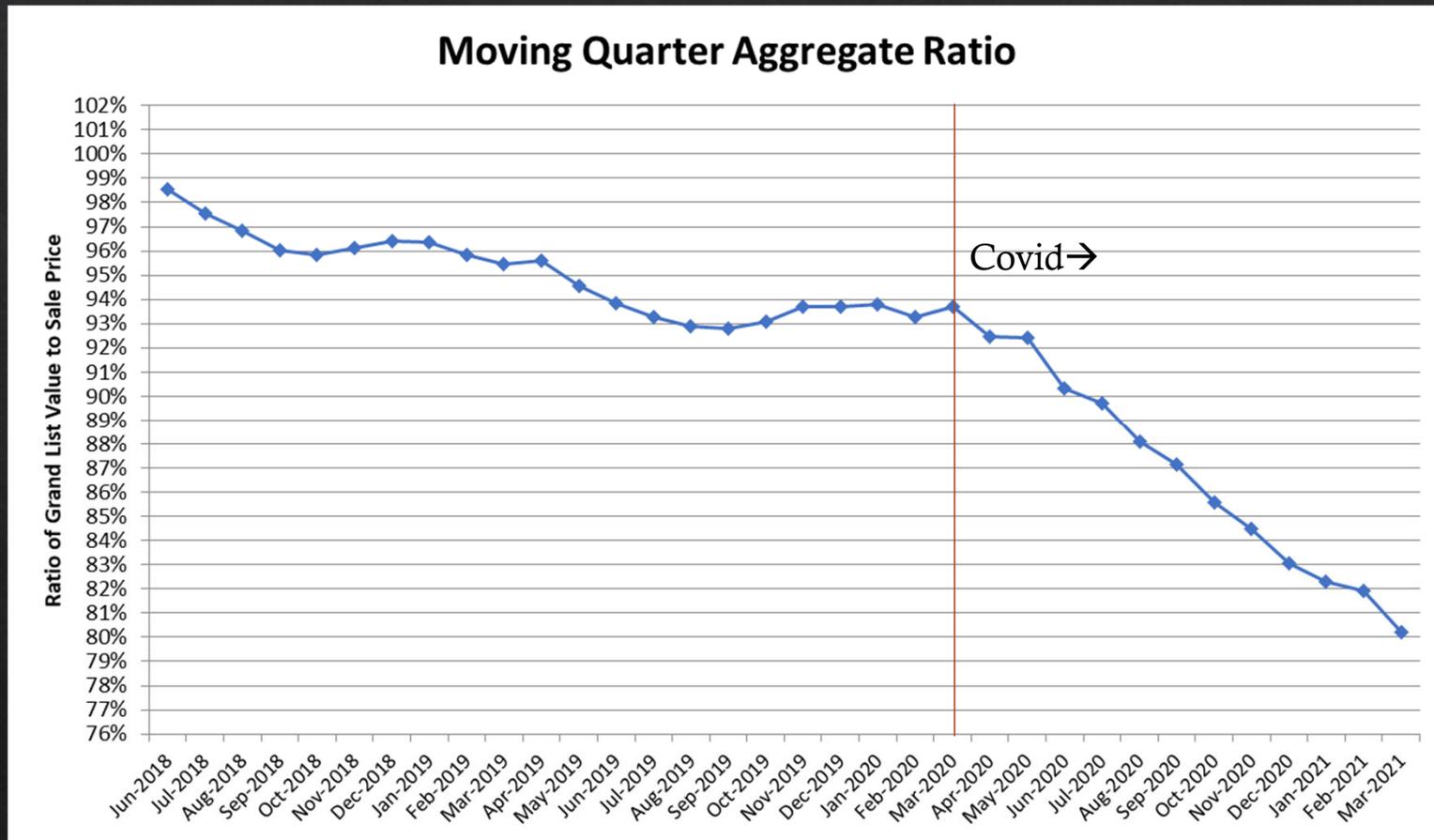
Keep in Mind:

- ◇ Education Spending increased at a normal rate, and....
- ◇ The Yield increased because the Equalized Education Grand List increased significantly, meaning...
- ◇ Vermonters Tax rates and taxpayer bills will not jump; some may even decrease.
- ◇ Real Estate swings have happened before and are normal in times of significant, national economic factors
- ◇ Vermont is not unique in its' situation as a hot real estate market

Conclusions you *can* draw

- ◆ Housing is in incredibly high demand; i.e. we do not have the housing stock to satisfy demand, both in-state and out-of-state buyers
- ◆ The CLA is doing its' job – assessing taxes based on Fair Market Value
- ◆ Many towns had stale Grand Lists already, and this exacerbated that
- ◆ Vermont is in a favorable position with property values robust and a healthy Education Fund

How has Covid impacted sales ratios?



How have CLAs changed over the past five years?

Equalization Study Results: Number of Towns by CLA Bracket by Year					
	2017 (FY19)	2018 (FY20)	2019 (FY21)	2020 (FY22)	2021 (FY23)
Less than 85%	2	3	4	5	24
85 to 100%	99	112	150	176	203
100 to 115%	150	142	105	79	33
115% or More	10	3	1	0	0
First year listed is the year of the equalization study, second year is the fiscal year impacted					
Equalization study results are superseded by a reappraisal CLA, if applicable					
CLAs below 85% or above 115% trigger a reappraisal, per 32 V.S.A. § 4041a					

How is the CLA Calculated?

State of Vermont - Division of Property Valuation and Review

Certified Final Computation Sheet

Montpelier

12405

School District ID:	129	Category	Property Count	ED Form 411 Listed Value	CUSE Value	Education Listed Value Excl. CUSE	Municipal Listed Value Excl. CUSE	Applied Ratio	Education Equalized Value
		1 R1	2,039	475,730,070	0	475,730,070	475,256,800	83.94	566,750,143
		2 R2	77	27,208,100	99,900	27,108,200	27,108,200	83.92	32,417,444
		3 MHU	0	0	0	0	0	0.00	0
		4 MHL	5	412,500	0	412,500	412,500	84.71	486,955
		5 S1	1	104,200	0	104,200	104,200	84.71	123,008
		6 S2	1	409,800	0	409,800	409,800	84.71	483,768
		7 COMM	255	215,662,491	34,100	215,628,391	211,141,400	84.78	254,378,007
		8 CMA	74	40,549,289	6,800	40,542,489	41,397,000	81.97	49,467,984
		9 IND	8	2,785,100	0	2,785,100	2,785,100	81.97	3,397,706
		10 UE	4	12,807,500	0	12,807,500	12,807,500	87.82	14,583,808
		11 UO	0	0	0	0	0	0.00	0
		12 FRM	1	188,200	0	188,200	188,200	84.40	222,986
		13 OTH	397	65,042,800	0	65,042,800	65,012,800	88.21	73,736,311
		14 WOOD	0	0	0	0	0	0.00	0
		15 MISC	65	4,691,600	50,000	4,641,600	4,641,600	84.40	5,557,090
			2,927	845,591,650	190,800	845,400,850	841,265,100		1,001,605,210
		PERSONAL PROPERTY:							
					Cable:	900,089	900,089	100.00	900,089
					Inventory:	Inventory Exempt	0	100.00	Inventory Exempt
					Machinery and Equip:	M and E Exempt	31,331,519	100.00	M and E Exempt
					TOTAL PERSONAL PROPERTY:	900,089	32,231,608		900,089
					GRAND TOTAL (REAL and PERSONAL PROPERTY):	\$846,300,939	\$873,496,708	84.44	\$1,002,505,299

How is the CLA Applied?

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

Equalized tax rate divided by CLA = Actual tax rate

Montpelier FY22 example: Per pupil spending is \$16,956.30; yield is \$11,317; CLA 84.44%

$\$16,956.30 / \$11,317 = 1.4983$

$1.4983 / 84.44\% = 1.7744$ (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 rate divided by the town’s CLA

What happens if my town's CLA goes down a lot?

- ◇ Suppose the FY22 (current 2021-2022) tax year CLA in a town is 100% and PVR calculates an FY23 CLA of 90% for that town
- ◇ Suppose the town votes to increase per pupil spending 5%, from \$16,000 in FY22 to \$16,800 in FY23
- ◇ FY22 HS tax rate: $\$16,000 / \$11,317 = 1.4138\dots 1.4138 / 100\% = 1.4138$ actual tax rate
- ◇ FY23 (Scenario A where ~\$90M FY22 reserve applied to lowering rates)
 $\$16,800 / \$13,846 = 1.2133\dots 1.2133 / 90\% = 1.3481$ actual tax rate
- ◇ FY23 (Scenario B where ~\$90M FY22 reserve **is not** applied to lowering rates)
 $\$16,800 / \$12,937 = 1.2986\dots 1.2986 / 90\% = 1.4429$ actual tax rate

What is the “Equalized Education Grand List”?

- ◇ Education Grand List value divided by CLA is equalized education grand list value
- ◇ Montpelier FY22 example: \$300,000 house, CLA is 84.44%
- ◇ $\$300,000 / 84.44\% = \$355,282$

- ◇ Equalized tax rate times equalized grand list value = actual tax rate times listed value
- ◇ $1.4983/100 * \$355,282 = 1.7744/100 * \$300,000$

What happens in a reappraisal year?

- ◆ The CLA is calculated according to [32 V.S.A. § 5406](#) - the town's new total listed value divided by PVR's most recent estimate of total equalized grand list value
- ◆ Burlington example, FY22 (reappraised for April 1, 2021)
- ◆ FY21 CLA was 74.77% and the actual HS tax rate was 2.0576
- ◆ FY22 CLA (after reappraisal) was 105.32% and actual HS tax rate was 1.4553
- ◆ Listed property values went up, but actual tax rates went down by 42%
- ◆ Since tax credits are based on the prior year taxes, if the property value went up by about 42% the credit was consistent with the new (FY22) education tax bill

Where can I find out more?

- ◇ FY23 CLAs from PVR's 2021 equalization study are posted here:
<https://tax.vermont.gov/municipalities/reports/equalization-study>
- ◇ Current year (FY22) 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>