

Issue Date: July 14, 2024

## How Vermont Education Tax Rates are Calculated

### Step 1: School boards develop expenditure and revenue budgets.

- Expenditures are every dollar spent, regardless of source.
- Some revenues are dedicated to specific purposes – federal grants and special education aid; others are state grants, tuition, a surplus, interest, donations, etc. These are called offsetting revenues.

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### Step 2: Voters approve the expenditure budget.

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### Step 3: Budget data are submitted to the AOE. The AOE calculates education spending.

- Education spending is the difference between the expenditures and offsetting revenues:  
**Budgeted Expenditures – Offsetting Revenues = Education Spending.**

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### Step 4: The AOE divides a district's education spending by its weighted pupil count to determine education spending per weighted pupil.

- Weighted pupils are a two-year weighted average pupil count.
- Weighted pupils allot more weight to specific pupil categories that empirically have higher costs, bringing those costs per pupil down.

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### Step 5: Education spending per weighted pupil is divided by the property yield to determine a district's equalized tax rate.

- The property yield is the amount \$1.00 of tax will raise per pupil statewide.
  - The FY2025 yield is \$9,893.
  - An easier way to think of it is: if a district spends \$9,893 per weighted pupil, its tax rate will be \$1.00.
  - If a district spends 10% more than the yield perpupil, its rate will be 10% higher, or \$1.10; 20% higher gives a rate of \$1.20, etc.



- The equalized tax rate is the rate as if all properties were listed at fair market value.

**Step 6: District tax rates are allocated back to the town(s) that belong to those districts.**

- If a town belongs only to one school district, its equalized tax rate is the same as the district's.
- If a town belongs to more than one school district, the rates for each district are prorated based on the percentage of weighted pupils from the town attending each district.
  - If 60% of a town's weighted pupils attend the local elementary school, the town receives 60% of the elementary district's rate.
  - The remaining 40% is from the union high school district's rate.

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**Step 7: Town equalized rates are divided by the CLA to determine the actual tax rate as seen on a homestead property tax bill.**

- The CLA (common level of appraisal) is the ratio of the town's listed grand list versus the State's value at fair market value.
  - A CLA below 100% means the town has undervalued the grand list.
  - A CLA over 100% means the town has overvalued its grand list.
- Properties are taxed at fair market value.