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Vermont: All taxed out?



New reports bust myths, shed new light on taxation

By Shay Totten | *Vermont Guardian*

As the Legislature begins to chip away at the Gordian knot otherwise known as education funding, several new studies provide insight into the notion that Vermonters are overtaxed, and new state tax data shows that fewer people may be getting property tax rebates than some lawmakers believe.

In the past month, the Ethan Allen Institute, a free market think tank, the New England Public Policy Center, via the Public Assets Institute, a liberal-leaning organization, and the Joint Fiscal Office (JFO), have all released reports analyzing Vermont's tax system.

Each come to slightly different conclusions, and point to different problems, and none offer any silver

bullets, which comes as no surprise to anyone who has followed property tax reform efforts in Vermont in the past 15 years.

Vermont is a relatively high-tax state compared to all other states, but when it comes to use of the property tax it ranks below its New England counterparts — a group that, on the whole, relies more on the property tax than other regions of the country to fund programs.

In FY 2004, according to U.S. Census Bureau figures, Vermont's education property tax revenue was \$1,531 per person, placing the state eighth nationally. This ranking was unchanged from 1996, according to the JFO study. In addition, JFO officials found that Vermont's per capita spending is often overstated by roughly \$130 per person because the oft-cited figure doesn't take into account the rebates people

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Opening eyes to harassment laws

By Christian Avard | *Vermont Guardian*

BRATTLEBORO — She always considered herself a strong and outspoken person, yet she's had two experiences where she was sexually harassed.

First, it was a colleague, and friend, where she taught. He invited her into his office, closed the door, and described in lurid detail what fun they could have. She left a year later with the incident never resolved.

Years later, she worked with a man who constantly expressed how people should not have relationships in the workplace. But that didn't stop him from inviting her to go on a business trip to Russia — minus his wife. She turned down his request, left her job, and again did nothing.

Looking back, Wendy Love, now the executive director of the Vermont Commission on Women, wishes she could have handled those situations differently. And, she believes her experiences are not uncommon for most women — both nationally and in Vermont.

“According to the American Psychological Association, 71 percent

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Taking the plunge



More than 900 people (including this wedding party above) plunged into the icy waters of Lake Champlain on Feb. 10 as part of the annual Penguin Plunge that benefits the Special Olympics of Vermont — a new record. More photos on page 14.

photo by Jessica K. Kell

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of working women will be subjected to sexual harassment at some point in their careers,” said Love at a recent seminar held in Brattleboro. The seminar focused on sexual harassment in the schools and the workplace, and was sponsored by the American Association of University Women and the League of Women Voters in Brattleboro.

In 1964, the Commission on Women was established in Vermont to decrease discrimination and encourage opportunity for women, Love noted. “Since then, they have really been working hard on the issue and it’s still not settled,” she said.

In the 1980s, the federal Equal Employment Opportunity Commission (EEOC) established advanced guidelines for sexual harassment, but Love said most of the legislation didn’t cover all Vermont employees, and not all of them were aware of the law.

It covered “employers who had more than 10, 15, 20, or [who were unionized]. We didn’t get our first solid legislation on sexual harassment in the workplace and the schools until 1993 and 1994 and since then they’ve been tweaking the legislation in the schools because not much has happened,” Love said. “So the question we want to look at is what is really going on? Why do people feel like they can’t report it?”

In their fifth edition on the status of women and girls in Vermont, the Vermont Commission on Women found that the attorney general’s civil rights unit dealt with approximately 10 to 20 sexual harassment claims per year from 2002 to 2006. In Vermont, this unit deals with most cases involving sexual harassment. If a client works for the state, then the Vermont Human Rights Commission handles the case. Individuals also have the option to pursue cases privately.

According to Love and others, many workplaces and school settings still aren’t following through once issues arise and are dealt with initially.

In recent years, a lot of attention and concern has been focused on the issue of harassment in Vermont schools that range from sexual harassment to bullying.

In 2003, a middle school-aged boy in Essex Junction — Ryan Patrick Halligan — committed suicide after being bullied by classmates both in school and online, and more recently a teenage girl was harassed by classmates in South Burlington — via electronic means such as websites and instant messaging — to the point where she had to transfer schools.

Last year, ALANA, an educational and advocacy organization focusing on inclusive and equitable communities, handled up to 60 cases from around the state dealing with sexual harassment and bullying in the schools.

ALANA has found that many school administrators and teachers remain ill-equipped to handle situations as they occur. In 2002-2003, ALANA surveyed about 350 public schools to see how they are addressing this issue. Out of the 90 schools that responded, ALANA found that school administrators



“I think despite the laws that we have in Vermont there’s always that big gap between the law and the public being aware of this.”

— Wendy Love

Vermont Commission on Women

only spend 15 minutes a year discussing these issues.

Curtiss Reed, ALANA’s executive director, wonders why Vermont schools aren’t doing more.

“Vermont has one of the most stringent harassment education laws that covers minorities including family members [such as gay and lesbian couples]. What does it mean to have the most stringent law in the country if no one knows about it?” wondered Reed. “[Our goal] is to dedicate our time to explaining to people about these laws — Act 91 on harassment and Act 117 that focuses on bullying. About 10 percent of [our cases] focus on sexual harassment but the common thread is school administrations do not view the occurrences as sexual harassment.”

Reed’s other concern is the lack of knowledge — among all stakeholders — that these laws even exist in the state.

“Our best estimate is that probably 80 percent of Vermont schools are not applying the laws. A lot of school personnel are ignorant of the law as well. Our concern is how do we parents [ensure] that schools are applying the law and how do we get our public officials to take these laws seriously or otherwise [offenders] will continue to [harass and/or] bully. There is a low reporting rate because administrators turn a blind eye. In some cases, the culture in the school dismisses it because if I know then I’m obligated to do something. It’s difficult for students to understand when teachers and administrators don’t understand,” said Reed.

Yet Love and Reed, along with Melissa Italia of Direct Consultants for Workplace and Family

Health, want to make schools and workplaces safe for everyone.

“Whether it’s work or school, they are all supposed to have policies on sexual harassment. It’s supposed to be posted that there is such a policy. They are all supposed to have a list of places and people you can go to in your school, community, or workplace to talk to in case you are upset about something. But the frustration is it still not happening [in most places]. Not everyone feels safe, and the goal is to create a climate that is safe from sexual harassment,” said Love.

Love, and others, hope to soon bridge the gap between knowledge of the laws and what can people do should they encounter a hostile co-worker or environment.

“I think despite the laws that we have in Vermont there’s always that big gap between the law and the public being aware of this and responsible individuals being aware of it. One of the things we do is public education. It’s how do you get the word out to parents, employers,” said Love. “They need to understand the law that tries to provide safeguards for them, and that will protect them when they come forward. They will not be fired for having filed a complaint or having come forward, but I think individuals need places to go ... nobody should feel alone.”

For more information, contact the attorney general’s civil rights division, at 828-3657, the Vermont Commission on Human Rights at (800) 416-2010, or visit www.women.state.vt.us or www.alanavision.org. For more on the effects on cyber bullying, go to www.ryanpatrickhalligan.com.

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receive, only the gross charges of their tax bills.

And, according to figures from the tax department, fewer people may be taking advantage of property tax rebates than many lawmakers believe.

According to the state Tax Department's division of Property Valuation and Review, there were 190,000 residential properties that qualified as single-family homes in 2005. Though some of these could, in theory, be rentals, most are likely not.

In that same tax year, 101,000 people received rebates from the state, according to the Tax Department.

That means nearly half of the property owners in Vermont either did not qualify, or did not request a rebate.

For economist Art Woolf, that's a perplexing percentage gap given that many lawmakers believe that two-thirds of Vermonters are eligible for prebates.

"Either people are making more money than we think they are, or for some reason they are not filing for them, which would seem almost impossible at this point," he said.

In 2005, a House study committee noted that more than 70 percent of Vermont homestead owners were eligible for the prebates and rebates, but members were concerned that not all eligible households were taking advantage of the provision.

This new information from the tax department seems to bear out their concern.

And, Woolf notes, if you look further at the size of the rebates most Vermonters received you get an even sharper idea of why so many people have raised concerns about property taxes to politicians.

According to the Tax Department, more than 60,000 people received less than \$1,000 with 33,000 of those individuals receiving less than less than \$500. More than 10,000 received between \$200 and \$299. In all, 101,829 filers received more than \$106 million in rebates.

Given the low amounts that many Vermonters receive from the state, Woolf wonders if people simply aren't seeing enough relief from rising school costs to notice.

Likewise, Paul Cillo of the Public Assets Institute believes that not enough people see a direct connection between the rebate and their property tax bill because they receive the rebate check separately from the bill. This means that, while they theoretically have

been given money to help pay for the property tax bill that will come due later, they may simply deposit the check and then be shocked later when the property tax bill arrives.

For Cillo, who was an architect of Act 60 when he served in the House in the 1990s, the current education funding system needs to be tweaked, not overhauled entirely.

This year, Vermonters, for the first time since Act 60 was passed, will receive a tax bill that shows the amount they actually owe rather than the amount it would be before the rebate.

He argues that Vermonters, on the whole, are paying less in property taxes, as compared to their total income, than they were before Act 60 was introduced.

Woolf agrees with Cillo, but points out that the percentage is rising each year. By collecting taxes on a statewide level, vacation property and commercial property owners helped to ease the burden in the early years of Act 60, but with school budgets rising at greater than the rate of inflation, the "savings" most individuals realized were gobbled up within a matter of years. Act 68, passed in 2003, again helped to shift the burden, but that, too, is now shifting again, Woolf notes.

Vermont: Always a high tax state?

Vermonters, historically, have paid a greater percentage of their income in property taxes than the national average, and at times the property tax has grown faster than personal income. Both in the 1970s and the 1980s, during real estate booms, property taxes rose faster than incomes, according to a report by Woolf published in 1999 as part of Vermont State Government Since 1965, published by the Snelling Center and the University of Vermont.

During this time — from the 1960s to the mid-1990s — Vermont's property tax burden remained above the national average, topping out in the 1970s at more than 6 percent, and bottoming out near 4.5 percent in the mid-1980s and mid-1960s.

Today, Cillo estimates that Vermonters in 2006 paid about 4.8 percent of their personal income toward property taxes, which is down from 5.4 percent in 1996, the year before Act 60 was passed.

He still believes, despite the growing pressures on the property tax and rising school budgets, that

the state's current funding scheme is fair and sustainable, with some minor tweaks.

Cillo believes that dual-income professional households with combined incomes of \$90,000 to \$150,000 — and perhaps largely concentrated in the suburbs of Chittenden County — are probably the ones feeling the biggest pinch in terms of property tax burdens.

"They are the ones who are getting the direct hit of the property tax, and while at this income level they are high income relative to other parts of Vermont, you're still not considered wealthy under our current tax structure," said Cillo. "That group is seeing a problem — at least that's my hunch."

Bending the curve

As the Legislature determines how best to fund education, and if it can be changed, the major focus this first half of the biennial session is on how to bend the school spending curve in Vermont.

Despite declining enrollment, and Vermonters seeing their incomes rising 3.5 percent, school budgets are going up 6.5 percent.

The Legislature is also trying to determine how much the general fund owes the education fund. By law, the general fund was to contribute money to the education fund as a way to ease some of the burden on the use of the property tax to fund education.

JFO estimates that the education fund was shorted by \$7 million in the current year, and that may double to \$14 million by next year.

Adding that money back into the system would help to lower the statewide property tax rate below the \$1.10 for in-state residential homeowners and \$1.54 for out-of-state and commercial owners. In recent years, with the education fund collecting more than it needed, the Legislature and governor were able to cut the property tax rates by several pennies per year.

Gov. Jim Douglas, Senate Pres. Pro Tem Peter Shumlin, D-Windham, and House Speaker Gaye Symington, D-Jericho, met over a period of months to find a way to address rising property taxes. In January, the trio announced a two-year framework to address rising property taxes and to find ways to bend the curve on education spending.

School consolidation is one possible remedy, which would save on administrative costs, and Douglas has proposed capping

local school budgets to slow the rate of growth in spending. Meanwhile, some lawmakers are more interested in tackling some of the root causes of higher education spending, such as skyrocketing health care costs and unfunded mandates from the federal government.

"There is this assumption that Vermont spends too much, and if you look at the national states we are either third or near the top, and I think people would like us to be lower," said Cillo. "The question is do we want to be like other states or be like Vermont. And, the fundamental problem is that in this effort to cut costs we might give up stuff we don't want to give up for our children."

House Ways and Means Chairman Michael Obuchowski, D-Rockingham, said his committee is looking at broader funding reforms, but is unlikely to propose any major overhaul this session.

"We've been doing our due diligence since the big hug agreement ... and the plan is to have on paper, not necessarily in bill form, by Town Meeting Day an outline of what the committees are likely to do," Obuchowski said of the work of his committee and that of the House Education Committee.

Obuchowski said the state's budget problems, and not education funding, are likely to perplex the Legislature this year.

Despite the attention on property taxes and education spending, Cillo said there was more outcry or "revolt" prior to Act 60's passage when people were focused on disparities between "rich" and "poor" towns than today. Before Act 60, for example, a person in Stratton might pay \$250 on a vacation home, while someone in Stannard might pay \$3,000 on a \$100,000 home.

"There were front page stories about property taxes — it was the biggest topic on the horizon and today I get a sense like people are acting like this is a big issue when it seems to have been manufactured," said Cillo. "There are issues that have to be resolved, but the sky is not falling — not like it was before Act 60."

How high is high?

Steve Klein, the JFO's executive director, said the new study also hones in on where Vermont falls in terms of state and local taxation.

"We're the only state that relies so heavily on the statewide property tax, so when you compare us with other states, it's not always

apples and oranges," said Klein. "Certainly, Vermont is a high tax state, but one of the issues that this Legislature is dealing with is what are we buying for those taxes."

The Legislature, and others, are also trying to better determine which income classes are paying the most in taxes.

"Vermont is one of the top five or six states in the nation for taxes, and we do get a lot of out-of-staters to pay for rooms and meals and property tax through second homes and commercial property, but we don't know how much that might be," said Woolf.

A second phase of the study, due out soon, will take a sharper focus on how tax filers — both businesses and individuals — actually fare in Vermont and in comparative states.


"I think one of the things we'll find is that even though the tax rates are high, it doesn't always mean that taxes are high," said Klein. That's because of income sensitivity provision of education funding, and deductions allowed for personal and business income taxes."

Though Vermont has the second-highest top marginal tax rate in the country after California, it only applies to one half of one percent of tax filers. In fact, 56 percent pay the lowest marginal rate of 3.6 percent, and 20 percent pay no taxes at all. Only 3.6 percent of tax filers, or about 10,000 households, pay the top three marginal rates.

For example, the report found that while Vermont has a high marginal rate for upper-income business filers, not all businesses pay the top rate.

For example, according to the JFO study, of the 23 out-of-state companies with Vermont taxable income of more than \$1 billion, two paid only \$250, which is the alternative minimum allowed by the state. In the \$100 million to \$1 billion taxable income group, 22 of the 140 companies only paid \$250, and 25 of the 111 companies with taxable income of \$50 to \$100 million paid \$250.

Meanwhile, Vermont companies of the same size pay based on their taxable income, and it's not until you get into taxable income below \$10,000 that you see Vermont companies taking advantage of the alternative minimum.

In fact, of the 860 companies with taxable income of \$10,000 to upwards of \$50 million, only two filed for the alternative minimum payment of \$250. Both of those companies were in the \$10,000-\$25,000 income group. 




Some of the largest groups in the plunge were from area schools, including the Chittenden East Supervisory Union, and the Milton schools. Merchants Bank, Vermont Tent Company, as well as Burlington firefighters and rugby players also had a strong presence.
photos by Jessica K. Kell



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