

TO: Income-Based Education Tax Study Committee  
FROM: Jeff Fannon, Executive Director  
DATE: September 28, 2022

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Thank you for giving me the opportunity to give some preliminary thoughts about your examination of moving towards a fully income-based system to fund public education. Vermont-NEA has long believed moving to an income tax is a fairer and simpler way to fund public education.

The Tax Structure Commission sought ways to ensure equity in our overall tax system, including producing a more equitable way to fund public education. The Commission's report discussed abolishing the residential property tax in favor of the income tax, and Vermont-NEA supports that proposal and has for several years. Income taxes, like property taxes, are variable at the individual level but in the aggregate they are stable enough to fund state government, and the Commission said it was "the best way to measure tax burden on a given taxpayer and it is the most progressive way to tax residents for education at this time." For this reason, the Commission "recommend[ed] replacing the hybrid property/income homestead tax base with a single tax base, and, to maintain equity, that single tax base should be income." Vermont-NEA supports the Commission's recommendation.

I believe that is your charge, i.e., explore practical issues with moving to an income tax but also to be aware that the education finance system needs improvement and that moving to an income tax is the best approach. Having a fair, equitable, and understandable education finance system is important to guarantee public support for the public school system. Vermont's schools enjoy broad support, educators also enjoy broad public support, but the current education tax method is confusing to taxpayers, which is not in the best interest of the state or schools. A straightforward income tax to fund schools is the approach Vermont-NEA (and the Tax Structure Commission) believes will allow schools and students to have the proper fiscal support and community support so necessary to maintain the high-quality education system we all know is important to our children and to our democracy.

Moving to a straight income tax would give rise to certain challenges that must be addressed. The issue of renters essentially being taxed twice must be solved. Additionally, while there may be short-term transitional issues, how we fund public education does need updating, and keeping an eye on the long-term improvement to the system should be the goal. You will likely hear from those who may think they will "lose" under an income tax system, but that should be viewed as a temporary problem that will moderate over the long-term as the system becomes more equitable and fairer for all Vermonters.

Thank you.