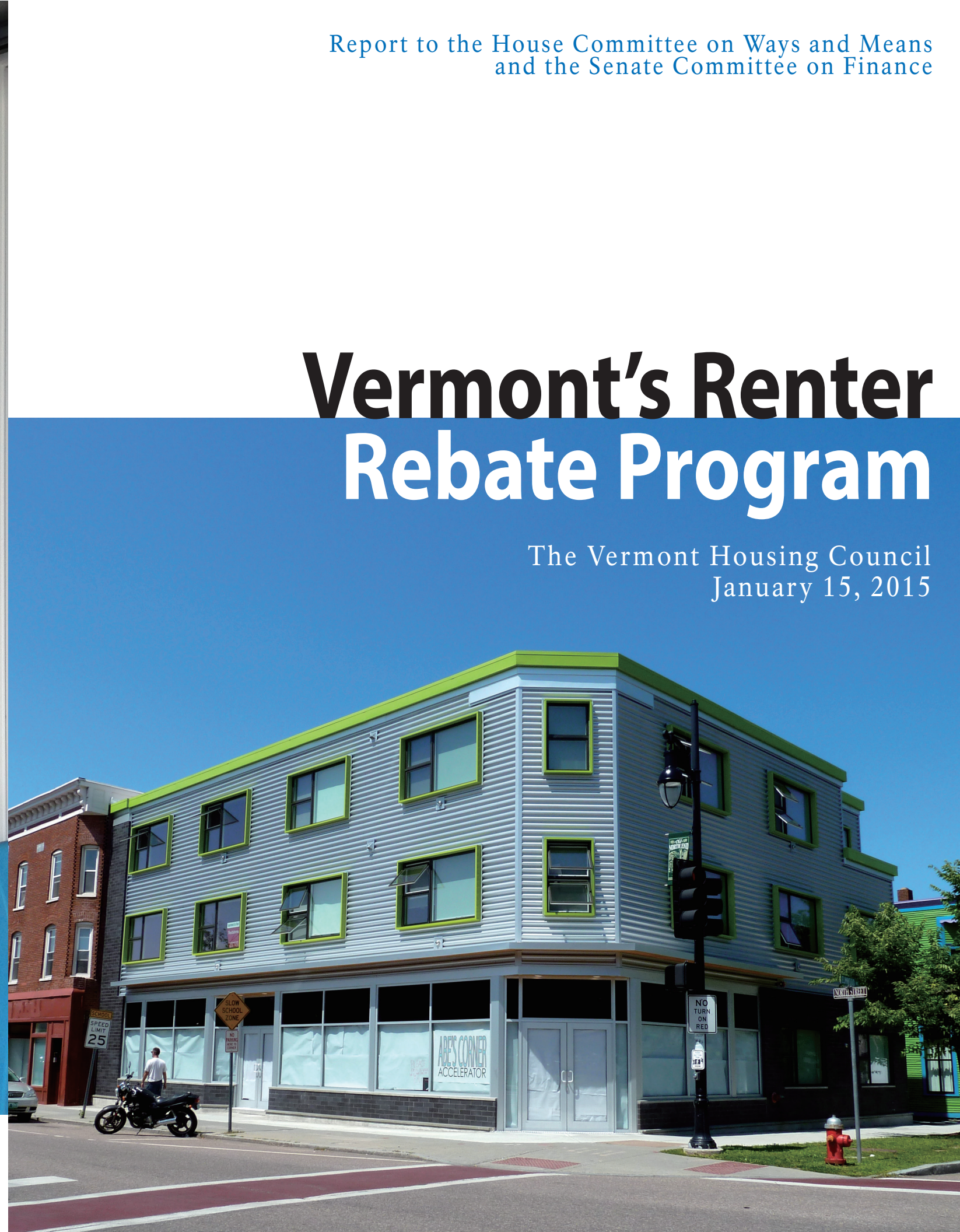


Vermont's Renter Rebate Program

The Vermont Housing Council
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Led and staffed by the Department of Housing and Community Development
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Executive Summary

Established in 1970, Vermont's tax circuit breaker programs promote tax equity and provide targeted relief from property tax burdens to lower income renters and homeowners. The Renter Rebate Program is designed to offset a portion of rent that is attributable to the cost of property taxes. The parallel program for homeowners, often referred to as the "super circuit breaker" program is calculated based on the property tax bill. Both programs provide benefits based on income and have similar income eligibilities. In addition to the super circuit breaker program, income eligible homeowners can benefit from an adjustment on their education taxes through the Homestead Property Tax Adjustment.

Recurring concerns regarding the complexity of accessing and administering the Renter Rebate Program led the House Ways and Means Committee to direct the Joint Fiscal Office (JFO) to study the issue. JFO issued its Report to the House Committee on Ways & Means: Vermont's Renter Rebate Program in January 2014. The discussion of the merits and challenges associated with the program continued through the 2014 Session and expanded to include the possibility of eliminating the Renter Rebate in favor of an alternative way of assisting low-income renters. Through a provision in the 2014 Miscellaneous Tax Bill, the Vermont Housing Council was tasked with examining challenges with the existing program and alternatives. This report is the result of that work. It builds and relies upon the information provided in JFO's report.

The Vermont Housing Council established a committee to conduct the study. The Renter Rebate Study Committee began work in June and surveyed individuals and organizations that interact with the program. The findings informed a two-track investigation that simultaneously explored improvements to the existing Renter Rebate while using a similar level of funding to assist low-income renters.

The mandate to conduct this investigation was timely as Vermont renters are under increasing financial pressure. In some instances, that means households are not able to save to buy a house or have insufficient income for necessities such as food, health care and transportation. In the worst cases, it means they can no longer afford their apartments and become homeless. For these and many other reasons, it is imperative to closely examine Vermont policies and programs that assist low-income renters – including the Renter Rebate - to ensure they are both efficient and effective.

The work of the Study Committee occurred during the same period that a statewide housing needs assessment was conducted by a national research firm and follows an extensive report on the national rental housing market by the Housing Commission of the National Bi-partisan Policy Center. The findings at the state and national level confirm the rental affordability crisis declared by the U.S. Department of Housing and Urban Development. Renters in Vermont, like those across the country, are increasingly burdened by their housing costs. A household spending more than 30% of their income towards housing costs is considered cost burdened and a household spending 50% or more is severely cost burdened. The housing needs assessment conducted in 2014 found that a total of 34,884 (47.5%) Vermont renters are cost burdened and 16,485 (22.4%) are severely cost burdened. State and national trends have also combined to limit rental housing options that are affordable to low and middle income Vermont households. Rental vacancy rates are extremely low in all corners of the Vermont, much lower than both the national average and the level considered healthy in a housing market. As property taxes rise and vacancy rates decrease, there is an increased ability and likelihood of a landlord passing on the cost of property taxes through higher rent.

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This report's recommendations are based on a close examination of the existing program, those from other states, while dedicating the same level of resources to eight alternative housing programs.

Recommendations

The Vermont Housing Council recommends retaining the structure of the existing Renter Rebate as the most efficient way of mitigating the impact of property taxes on low-income renters, particularly those in private, non-subsidized apartments. Further, the Council recommends a number of changes to the program to make it easier to access and administer while staying within the current cost.

- Eliminate the requirement that the owners of rental properties submit Landlord Certificates.
- Base the rebate on a modified adjusted gross income (AGI) and amount of rent paid by each tax filer rather than household income (HHI), eliminating the need for the HHI form.
- Adjust the eligibility parameters to reflect the change to AGI and allow for potential new claimants – Set the maximum eligible income at \$40,000.
- Reduce the maximum rebate amount to \$2,000 to reflect rebates returned to individual filers.
- Establish a rebate floor of \$100 to encourage filers to work with a tax preparer.
- Set the percentage of rent allocable to property taxes at 19% rather than 21%.
- Publicize the date by which renter rebate checks will be mailed.
- Support the Tax Department's migration to the electronic administration of the program while ensuring accessibility by low-income households.

The study committee took into consideration the desire to maintain total program costs at current levels and adjusted program parameters accordingly. The parameters were based on assumptions drawn from data provided by the Vermont Department of Taxes and the Joint Fiscal Office. A more in depth analysis of total program costs given these parameters should be obtained prior to implementing programmatic changes.

While the Renter Rebate Program is able to address only one factor of many that contribute to housing cost and burden, eliminating rebates for low income renters would be particularly difficult, even dangerous, given current market conditions. For this reason and others detailed in the sections below, the Vermont Housing Council concludes it is important to retain and strengthen the existing program.