

# Vermont Legislative Joint Fiscal Office

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## *FISCAL NOTE*

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### DRAFT

#### **H.785 An act relating to housing and affordability – As Introduced – Draft No. 1**

<https://legislature.vermont.gov/assets/Documents/2018/Docs/BILLS/H-0785/H-0785%20As%20Introduced.pdf>

#### 1. Overview of Proposed Bill

- Increase the amounts available under the downtown and village tax credit program
- Create a homeowner rehabilitation tax credit
- Increase the amounts available under the first-time homebuyer down payment assistance program
- Adopt miscellaneous amendments to enable municipal electronic filing
- Expand assistance for repairing failing or failed wastewater or water supply systems
- Bill effective July 1, 2018

New or Expanded Tax Credits or Tax Credit Allocations in H.785				
	FY2019	FY2020	FY2021	FY2022
Downtown Tax Credits	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000
VHFA Down Payment Assistance Program* (Loans for 1st-time homebuyers)	\$ 125,000	\$ 250,000	\$ 375,000	\$ 500,000
<b>Total Additional Tax Credits</b>	<b>\$ 375,000</b>	<b>\$ 500,000</b>	<b>\$ 625,000</b>	<b>\$ 750,000</b>
*Note: Down Payment Assistance is a commitment for five years	\$125,000	\$125,000	\$125,000	\$125,000
		\$125,000	\$125,000	\$125,000
			\$125,000	\$125,000
				\$125,000

#### 2. Impact on State Budget

- The impact on the State budget would occur on the revenue side, as income tax revenues to the State would be reduced by the increased value of tax credits used.
  - Additional tax credits of \$250,000 per year would be for Downtown Tax Credits and an additional \$125,000 per year, and extending four more years, would be for first-time homebuyer Down Payment Assistance tax credit allocations
- Funding for additional loans for repairing failing or failed wastewater or water supply systems would come from the Vermont Wastewater and Potable Water Supply Revolving

Loan Fund. That fund was established following authorization from the Vermont Legislature in 2012.

- Under current law, \$275,000 is deposited annually into the Fund by revenues generated from the issuance of permits that authorize soil-based wastewater systems and potable water supplies (WW permits). The Fund is administered by the Division of Drinking Water and Groundwater, Department of Environmental Conservation, Agency of Natural Resources.
- The bill would require the Department to make deposits up to \$275,000 at the start of the fiscal year so the minimum available balance at the start of each fiscal year would be a minimum of \$275,000.
- Currently, the Fund has an unobligated balance of approximately \$800,000.

A. For Downtown Tax Credits

- The total amount of income tax credits awarded annually would increase from \$2,400,000 to \$2,650,000, or by \$250,000 per year.

B. For the Homeowner Rehabilitation Tax Credit (*no longer in the W&M version*)

- The Vermont Downtown Development Board would allocate up to \$625,000 in homeowner rehabilitation tax credit certificates.
  - An eligible homeowner could claim an income tax credit or tax credit certificate of 30 percent of qualified rehabilitation expenditures, not to exceed \$20,000 per qualified project or \$25,000 per qualified project that creates one or more accessory dwelling units
  - The applicant could transfer the tax credit certificate to a bank, an insurance company, or a captive insurance company to apply against its bank franchise, insurance premium, or captive insurance premium tax liability
  - The credit would be available for the first tax year in which the qualified project is complete
  - The credit could be recaptured if the applicant fails to complete the project within two years after approval, or completes work that is inconsistent with a local permit or the approved State application, or fails to supply accurate information

C. For the Tax Credit for Affordable Housing

- No change in amount of tax credits offered

D. For the Down Payment Assistance Program

- In fiscal year 2019 through 2022, the allocating agency may award up to \$250,000 in total first-year credit allocations. This increases the current-law amount by \$125,000 per year. Those credit allocations continue for four additional years.
- In fiscal year 2023 through 2025, there is no change in the amount of total first-year credit allocations.
- In fiscal year 2019 through 2022, total first-year credit allocations plus succeeding year deemed allocations shall not exceed \$1,250,000. This doubles the current-law amount.
- In fiscal year 2023 through 2024, the amount of total first-year credit allocations plus succeeding year deemed allocations does not change.