

# Vermont Legislative Joint Fiscal Office

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## *FISCAL NOTE*

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### **H.766 An act relating to creating a homeowner's rehabilitation tax credit**

<https://legislature.vermont.gov/assets/Documents/2018/Docs/BILLS/H-0766/H-0766%20As%20Introduced.pdf>

#### **Summary of Bill:**

The bill creates a new homeowner's rehabilitation tax credit program. Vermont municipalities will be required to apply to the Vermont Downtown Development Board for up to \$625,000 worth of tax credit certificates, to be awarded to no more than three communities. These tax credit certificates will be awarded to homeowners who make qualified rehabilitation expenditures to their residence or accessory buildings. The homeowner must have lived in the residence for at least 5 years.

The amount of the tax credit is equal to 30% of the qualified rehabilitation expenditures, not to exceed \$20,000 per qualified project or \$25,000 if the project creates an accessory dwelling unit. Applicants can transfer the credit to banks or insurance companies who can use the credit towards their bank franchise, insurance premium, or captive insurance premium tax liability.

#### **Fiscal Impact:**

**JFO estimates that the program will cost \$625,000 in FY2019. These costs will be incurred on the General Fund.**

This estimate is based upon renovation costs obtained from various home remodeling websites<sup>1,2</sup>. Home remodeling costs vary significantly with the extent of the renovation.

Using a range of between \$25,000 and \$75,000 for a home rehabilitation, \$625,000 of allocable credits would be distributed between 30 to 80 homeowners. Split equally between three pilot communities, this equates to approximately 10 to 26 homeowners per community.

JFO also estimates that the tax credit will likely be claimed by banks. The tax credit in this bill is similar to the Affordable Housing and Downtown and Village Center Tax Credit. Both of those

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<sup>1</sup> Realtor.com. "Home Renovation Costs that Add Up Fast: The Numbers You Should Know." <https://www.realtor.com/advice/home-improvement/how-much-does-it-cost-to-renovate-a-house/>

<sup>2</sup> Home Advisor. "Addition and Remodel Cost Guides." <https://www.homeadvisor.com/cost/additions-and-remodels/>

credits are largely claimed by banks against their bank franchise tax liability, not by individual taxpayers against their personal income tax liability.