

GROWING THE ECONOMY

MAKING HOMEOWNERSHIP MORE AFFORDABLE FOR WORKING FAMILIES

Renter Rebate Reform



- **WHAT:** This proposal will reform the renter rebate program to improve efficiency for both applicants and the Tax Department and provide more credits to low-income Vermonters. For claims submitted in 2018 under current law, \$8.5 million of credits were distributed to 11,919 Vermonters. The reform proposal would distribute just under \$9.1 million to 12,424 Vermonters. Providing an average credit which is \$14 higher to 505 more Vermonters.
- **WHY:** Renter Rebate is an exceptionally important program for low-income Vermonters, but it has long been acknowledged as inefficient and difficult to navigate for applicants. The current level of complexity of the forms and calculations results in over \$3 million of credit reductions each year as well as numerous reports of filers not being able to acquire all the information necessary to receive the credit. The reform proposal removes many of the complexities which cause filing errors, delays in processing, and credit reductions. In a 2018 study of Tax Department programs, it was determined that renter rebate cost more than 5 times the Department’s average cost to administer a program.
- **WHO:** Low-income renters across Vermont will be eligible for credit amounts similar to those currently available, but with a dramatically simplified application. Those Vermonters who do not have a tax filing requirement will see the greatest improvement in ease of application and predictability of their credit amount. Landlords will also see a significant reduction in the complexity of information they are required to submit annually. Renters who are domiciled in Vermont the entire year but only rent part of a year will now be eligible to receive a prorated credit.
 - **Real Life Example:** For years, low-income renters who share homes have been subjected to onerous requirements to share personal financial information in order to file for a credit. This proposal allows families and individuals that share housing to receive an adjusted credit without sharing their personal information with each other.
- **HOW:** The proposal amends the credit calculation method currently in Title 32 Chapter 154. The proposed amended credit amount will be based off the Housing & Urban Development (HUD) fair market rents by county and the number of exemptions claimed on the Vermont personal income tax return, or in the case of individuals below the tax filing threshold, the size of the household. Income eligibility will be determined using HUD county income limits with a smooth phase-out between the “extremely low-income” and “very low-income”

categories. Renters who receive rent subsidies and shared households would receive adjustments to the credit amount.

- **FUNDING:** The FY20 appropriation for the renter rebate program is \$9.5 million and the fund has accrued just over \$2.4 million in carryforward. Level funding the appropriation to \$9.5 million in FY21 and retaining the carryforward will cover the additional distributions of renter rebate credits.

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