

# Vermont's Renter Rebate Program

The Vermont Housing Council  
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## Acknowledgements

This Report is the product of a seven-month study conducted by the Renter Rebate Study Committee of the Vermont Housing Council. In addition to several members of the Council, the Study Committee included representatives from the Vermont Affordable Housing Coalition, the Vermont Low Income Advocacy Council, and the Vermont Community Action Directors' Association. Established by Executive Order, the Vermont Housing Council coordinates and oversees implementation of the state's housing policy, evaluates housing services and initiatives, and serves as a resource to housing providers in their efforts to supply decent and affordable housing to Vermonters.

This study would not have been possible without extensive assistance from the Vermont Department of Taxes and the Joint Fiscal Office.

Appreciation is also given to the various stakeholders who provided feedback about their experiences with the Renter Rebate Program. Input was received from housing management companies, non-profit housing organizations, landlords, tenants, Community Action Agencies and others and it informed the Committee's discussions and subsequent recommendations.

## 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<sup>1</sup>. 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

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<sup>1</sup> Bowen National Research: Vermont Housing Needs Assessment, January 5, 2015

an increased ability and likelihood of a landlord passing on the cost of property taxes through higher rent.

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.

**Recommendation:**

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.

# Background

## Legislative Charge

Mandated by Section 63 of Act 174 of 2014, this report examines Vermont's Renter Rebate Program, recommends improvements to the program and discusses alternative methods for assisting lower income renters.

### RENTER REBATE REPORT

The Vermont Housing Council, with the assistance of the Department of Taxes, the Joint Fiscal Office, and the Agency of Commerce and Community Development, shall report to the Senate Committee on Finance and House Committee on Ways and Means with recommendations on how to develop programs to assist renters in lieu of the current renter rebate program at 32 V.S.A. § 6066(b), as well as recommendations to make the existing program more effective. Proposals shall address how best to deliver property tax relief to low income renters. For purposes of the report, the Vermont Housing Council shall be joined by a representative from the Vermont Low Income Advocacy Council, the Vermont Community Action Directors' Association, and the Vermont Affordable Housing Coalition. The report shall consider the current benefits to renters from the renter rebate program, and propose alternative programs that also benefit low-income renters. Any alternative proposals shall have approximately the same eligibility parameters as the current renter rebate program, shall be structured to deliver comparable results, and shall take into account the portion of rent paid by renters that is attributable to property taxes. The report shall be due on or before January 15, 2015.

## Property Tax "Circuit Breakers" in Vermont

The Vermont Renter Rebate Program was established in 1970, along with a similar program for homeowners that is now commonly referred to as the Super Circuit Breaker. The programs are meant to limit the tax liability for both municipal and education taxes. Tax Circuit Breaker programs are utilized by many states in the country to promote equitable property taxation by targeting property tax relief to households with relatively lower incomes. Both circuit breaker programs in Vermont limit eligibility to a household income of \$47,000 or below and use a similar sliding scale, discussed later in the report, to determine tax liability eligible for a rebate. In Fiscal year 2014 the Renter Rebate Program cost \$8,688,163, and the Super Circuit Breaker program cost \$20,821,834<sup>2</sup>.

In addition to the Super Circuit Breaker program, the Homestead Property Tax Adjustment is available for homeowners to offset their education-based property taxes. The maximum HHI allowed to claim a property tax adjustment for education taxes in a homestead property was \$105,000 in 2014 and the maximum allowable adjustment was \$8,000.

## Property Tax Rates in Vermont

When considering property tax circuit breakers it should also be noted that residential property is taxed at different rates in Vermont for homeowners and renters. The base rate of property taxes levied on owner occupied properties, which are potentially eligible for the Super Circuit Breaker

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<sup>2</sup> State of Vermont Department of Taxes, Annual Report Based on 2013 Grand List Data, January 2014

and Homestead Property Tax Adjustment, is typically referred to as the “residential tax rate.” Multi-family residential properties are considered commercial for this purpose and are taxed at the higher, non-residential rate. In cases where a property owner occupies a unit in a multi-unit building, for instance in an owner occupied duplex, the portion of the property that is rented to another resident is taxed at the non-residential rate. The assessed value for multi-family residential properties that are certified as affordable is adjusted downward by 10% to reflect the reduced revenue potential of those properties.

### Vermont’s Renter Rebate Program

The current eligibility parameters of the program follow. In order to qualify for the program, the applicant must:

- Domicile in Vermont for the entire calendar year
- Rent in Vermont for the entire calendar year
- Not be claimed as a dependent of another taxpayer
- Have a household income (HHI) at or below \$47,000
- Be the only claimant per household.

HHI is reported to the Vermont Department of Taxes (VDT) on the Household Income Schedule, form HI-144<sup>3</sup>, and defines income more broadly than wages. Household income includes the federal Adjusted Gross Income as well as Social Security benefits, pensions, cash public assistance and several other forms of income for every resident of the household.

In order to provide progressive tax relief relative to income, the Vermont Renter Rebate Program is designed to limit property tax burden to between 2% and 5% of income based on the following income thresholds:

<b>Annual Household Income</b>	<b>Percentage Income to Property Taxes</b>
<b>Under \$9,999</b>	2.0%
<b>\$10,000 to \$24,999</b>	4.5%
<b>\$25,000 to \$47,000</b>	5.0%

The Renter Rebate is calculated so as to limit the amount of property taxes paid in relation to income based on these percentages. For example, those households with incomes of \$9,999 or less receive a Renter Rebate in an amount that would limit their property tax payment to 2% of the household income. However, regardless of the amount of property taxes paid in excess of these thresholds, the maximum renter rebate is limited to \$3,000 per household.

In addition to the property tax thresholds mentioned above, the Renter Rebate amount is calculated in part based on the rent paid by the claimant. As renters are not directly charged property taxes, it is assumed that some portion of the contract rent is utilized to cover the costs of property tax incurred by the property owner. Contract rent is defined as the rental amount paid exclusively for inhabiting the unit and excludes rent attributable to utilities and services, such as heat or trash removal. The amount of rent deemed allocable to property taxes has fluctuated over the lifespan of the Renter Rebate Program. That percentage is currently set at 21% of the contract rent.

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<sup>3</sup> See Appendix A



Therefore, for a renter household making less than \$47,000 per year, if 21% of the contract rent paid is greater than the percentage of income as defined in the table above, that household is entitled to a rebate of up to \$3,000, assuming the household meets all of the eligibility requirements.

In order to receive a Renter Rebate, a claimant must file several forms with the VDT. The Household Income Schedule mentioned above articulates the combined income of all members of the household which is used to determine eligibility and calculate the property tax threshold to be applied. The claimant must also obtain and file a Landlord Certificate, Form LC-142<sup>4</sup>, which is completed by the landlord, describes the location of the unit and verifies the rent charged less the value of any utilities or other services. Landlords who rent two or more rental units are obligated to provide a completed LC-142 for every unit while those landlords owning fewer than two rental units are required to provide the form only when it is requested by the tenant. Finally, the claimant must file the Renter Rebate form, PR-141<sup>5</sup>, which uses information from the other two forms to discount any business use of the unit and calculate the resulting rebate.

### Program Funding

Because Vermont property taxes consist of municipal and education taxes, the cost of the Renter Rebate Program is split between the State’s Education Fund and General Fund. The Education Fund bears 70% of the program cost with the General Fund bearing the remaining 30%.

While the maximum Renter Rebate is \$3,000 per household, the average rebate amount for each income class is considerably lower than that. The rebate amounts and allocable rent for each income class is displayed in the table below as well as the overall cost of the rebate program.

**TABLE 01: 2013 Renter Rebate Program; Rent and Rebate Amounts by Income Class & Program Cost**

\$ Household Income Class	Returns	Avg. Allocable Rent for Claim (21% of Annual X Home Use - Line 5)	Avg. Estimated Annual Rent	Avg. Household Income	Avg. Rebate	Total Rebate Amount
0 - 10,000	2,509	808	3,850	7,963	641	1,609,148
10,000 - 20,000	4,403	1,380	6,570	15,080	698	3,073,292
20,000 - 30,000	3,880	1,913	9,109	24,500	738	2,865,120
30,000 - 40,000	2,030	2,390	11,383	34,347	657	1,333,657
40,000 - 47,000	655	2,938	13,991	43,020	735	481,521
	<b>13,477</b>					<b>9,362,738</b>
<b>Suspended<sup>6</sup></b>	<b>1,498</b>					<b>1,935,596</b>

Source: Vermont Department of Tax 7/15/14

The Renter Rebate Program has been growing over time in both the number of applicants and the overall cost. While increasing numbers of eligible applicants would naturally increase the overall program cost, it is of interest to note that the average rebate for an eligible applicant has also

<sup>4</sup> See Appendix B

<sup>5</sup> See Appendix C

<sup>6</sup> Filings that have been received by VDT and contain some error are considered “Suspended” for further investigation

grown. Due to the way that the rebate amount is calculated, this indicates that rents, and the absolute amount of rent allocable to property tax payments, have been increasing at a faster rate than incomes in the associated households. This finding is consistent with other economic reports that indicate stagnant wages among renter households and rising rent costs throughout the state.

Comparing the total cost of the Renter Rebate program to the national inflation rate shows that the program is not increasing in cost at the same rate as the overall inflation rate. According to the Bureau of Labor Statistics the inflation rate for the Consumer Price Index between 2009, the end of the recent economic recession, and 2012 was 7.02%. During that same time period, the overall cost of the Renter Rebate Program actually decreased by 1.4%. The average rebate amount in 2009 and 2012 were identical at \$641.

The table below displays the change in the number of claimants and average rebate from 1999 to 2012.

**Table 02: Change in Renter rebate Program 1999 - 2012**

Tax Year	Number of Claimants	Total Cost of Rebate	Average Rebate
1999	11,620	\$5,257,244	\$452
2000	10,324	\$4,704,796	\$456
2001	10,406	\$4,866,323	\$468
2002	11,131	\$5,636,205	\$506
2003	11,525	\$6,136,097	\$532
2004	11,037	\$5,913,113	\$536
2005	11,251	\$6,353,863	\$565
2006	11,529	\$6,924,340	\$601
2007	12,408	\$7,238,621	\$583
2008	13,150	\$8,108,943	\$617
2009	13,745	\$8,811,700	\$641
2010	13,859	\$8,609,210	\$621
2011	13,636	\$8,748,066	\$642
2012	13,541	\$8,685,183	\$641

Source: JFO 1/15/14 report<sup>7</sup>

### Profile of Vermont Renters

Approximately 30% of Vermont households rent their home. This number has been consistent since the Great Recession and is projected to remain true over the next five years. Housing is generally considered “affordable” to the occupants when basic housing costs, which in the case of renter households includes rent payments as well as basic utility costs, amount to 30% or less of the household income. Many of the renter households in Vermont are considered “cost burdened” whereby the household spends more than 30% of income on rent and utilities. A household is considered *severely* cost burdened when more than 50% of household income goes to those expenses.

<sup>7</sup> Joint Fiscal Office: “Report to the House Committee on Ways and Means; Vermont’s Renter Rebate Program”. January 15, 2014

The Vermont Department of Housing and Community Development recently commissioned a statewide Housing Needs Assessment (HNA). Bowen National Research found that, of Vermont's renter households, a total of 34,884 (47.5%) are cost burdened and 16,485 (22.4%) are severely cost burdened<sup>8</sup>. In other words, 16,485 households pay more than 50% of their income for housing. These levels of cost burden are apparent throughout the state with the lowest share of renter cost burden occurring in Grand Isle County (37.1%) and highest in Chittenden County (54.9%)<sup>9</sup>

The high share of cost burdened renter households in Vermont is likely exacerbated by the very low vacancy rates for rental housing in the state, particularly in population centers. Low vacancies result when there is insufficient supply for the housing demanded by the populace. Housing is considered an inelastic good, one that is required and cannot easily be substituted. When rental vacancy rates are low in an area with demand for rental housing, property owners are able to increase rents and more easily pass on all costs of property ownership to the renter, including the property taxes levied.

Most housing economists consider a sustained rate of between 4% and 6% vacancy to be a healthy, well-balanced rental market. The US Census Bureau's American Community Survey (ACS) publishes 5-year vacancy rate estimates based on a sampling. For a state as rural as Vermont, the accuracy of these estimates is often debated. The most recent ACS vacancy rates for the five years ending in 2011 estimate that when all types of vacant, for-rent units throughout the state are accounted for, there is an overall vacancy rate of 4.5%. However, the consultants that performed the Housing Needs Assessment concluded that vacancy rates of multi-family rental units throughout the state are well below the 3-5% range of a healthy market. The consultants surveyed hundreds of rental housing properties and found the highest vacancies in market-rate, multi-family units rests at 1.9%, with multi-family properties that have some government subsidy showing vacancy rates at 0.4%. In fact, 347 of the multi-family properties surveyed reported they were 100% occupied.

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<sup>8</sup> Bowen National Research: Vermont Housing Needs Assessment, January 5, 2015  
[http://accd.vermont.gov/strong\\_communities/housing/planning/needs\\_assessment](http://accd.vermont.gov/strong_communities/housing/planning/needs_assessment)

<sup>9</sup> American Community Survey 2006-2011

## Reality of the Renter Rebate: Household Examples

### Effects of Renter Rebate on Cost Burdened Households

The average renter rebate is considerably lower than the maximum amount of \$3,000. Nonetheless, the benefit is typically significant and much-needed by the recipient. In the table below the average renter rebates for the 2013 tax year are broken out based on the household incomes of the recipient households. The table also shows the average monthly out-of-pocket rent payments for the household income groups.

**Table 03: Renter Rebate - All Taxpayers - Tax Year 2013**

Household Income	Number of Claimants	Estimated Avg. Monthly Rent	Avg. Household Income	Avg. Rebate	Total Rebate Amount
0 - \$ 10,000	2,509	321	7,963	641	1,608,269
10,000 - 20,000	4,403	547	15,080	698	3,073,294
20,000 - 30,000	3,880	759	24,500	738	2,863,440
30,000 - 40,000	2,030	949	34,347	657	1,333,710
40,000 - 47,000	655	1,166	43,020	735	481,425
<i>Source VDT</i>	<b>13,477</b>				<b>9,360,138</b>

For all income groups eligible for the Renter Rebate, the average rebate amount is a considerable portion of a month's rent and for those in the lowest income brackets, the Renter Rebate could amount to more than a monthly, out-of-pocket rental payment.

For many low-income Vermonters, the Renter Rebate makes a significant difference in their annual budgets. Community action agencies throughout the state assist low-income Vermonters with tax preparation and have a unique insight into the effect the Renter Rebate can have on tight budgets. Since the Renter Rebate excludes rent paid by third parties, a low income coupled with a rental subsidy results in rather small rebate amounts. However, even in these cases, the rebate can have a notable effect on the annual budgets of recipients. The following are several examples of Renter Rebates received by residents of Chittenden County that worked with the Chittenden Community Action's tax preparation services. In the interest of retaining confidentiality, the names of these individuals are presented as initials.

- Mr. M, from Burlington, receives \$9,264 annually for Social Security Benefits. This is his only source of income. He received \$337 for his 2014 Renters Rebate. He pays approximately \$207/month for his portion of subsidized rent. This is one of Chittenden Community Action's most common applicant scenarios.
- Mr. V, from Burlington, age 51, is a New American. He receives \$8,595 annually for Social Security Benefits. This is his only source of income. He received \$326 for his 2014 Renters Rebate. He pays approximately \$198/month for his portion of subsidized rent.
- Mr. S, from Burlington, received \$24,904 in wages for working as a janitor and \$1,564 in Unemployment Benefits. He received \$911 for his 2014 Renters Rebate. He pays

approximately \$800/month for his non-subsidized studio apartment for him and his girlfriend.

- Ms. C, from South Burlington, age 22, single mother. She received \$1,295 in wages for working as a cashier, \$6,624 for ReachUp Benefits and \$2,436 for Child Support. She received \$130 for her 2014 Renters Rebate. She pays approximately \$236/month for her portion of subsidized rent.

While the above real world examples are of households with particularly low incomes, the Renter Rebate is similarly beneficial to those living closer to the median income level as well. Using county median income information and the county Fair Market Rent (FMR), as determined by the US Department of Housing and Urban Development, we can calculate what a household making median income might receive through the Renter Rebate Program.

In Washington County, where the median household income for renter households is \$33,467 and the FMR for a two bedroom apartment is \$900 per month, a median income family would receive \$595 from the Renter Rebate.

In Orleans County, a family making the median household income for renters, \$23,216, and paying the FMR for a two bedroom apartment, \$707, could expect to receive a Renter Rebate of \$737.

The Renter Rebate often functions as an important infusion of financial capital into tight annual budgets of recipients. Over the course of this study the Committee talked to numerous housing and service providers and recipients of the Renter Rebate. Many reported that rebates were used for expenditures including rent payments, car repairs or paying off medical debt. Some housing providers reported that the Renter Rebate received by their tenants was used for a month of rent that could not otherwise be paid, allowing the tenant to remain in their homes.

## **Challenges with Vermont's Current Program**

The Renter Rebate is widely viewed as an important property tax relief program and an essential benefit for many who are on the edge of subsistence, but it is not without a number of challenges. Many of the criticisms of the program as it is currently structured are related to filing and administration.

The Committee members reached out to a comprehensive list of stakeholders who are involved with the Renter Rebate. They included recipients of the rebate, tax preparation service providers as well as private and non-profit housing providers, housing management companies and landlord associations. All of those contacted had some criticisms of the program and its requirements. The following is a description of some of the most burdensome challenges facing those involved with the Renter Rebate program.

### **Filing for the Renter Rebate**

Landlords and tenants alike universally criticize the amount of documentation that is required to successfully file for the Renter Rebate. As mentioned above, a claimant for the rebate must file the Household Income Schedule (HI-144), the Landlord Certificate (LC-142) and the Renter Rebate Form (PR-141). Collecting and filling out these forms is made increasingly difficult if a claimant has had shared housing or changed addresses within Vermont in a given calendar year.

### **HI-144**

The Household Income Form lists the incomes of every individual in the household. Collecting this information can be difficult for claimants, particularly those who have unrelated roommates. This is especially true if a roommate has moved out of the unit and needs to be located and comply with a request to garner income information. If the Household Income Form is not completed properly the Renter Rebate cannot be issued.

### **LC-142**

The Landlord Certificate was cited most often as the greatest burden on both tenants and landlords in regards to the Renter Rebate.

In the case of landlords, those with two or more units are required to complete and supply LC-142 for every unit they rent. This is required even if the landlord knows that the tenant in question is not eligible for the rebate. While the Department of Taxes has recently created a version of the LC-142 that can be filled out electronically, a major improvement to the previous need to request each copy of the form from the Department, there is no way provided to complete the form *en masse* or to file it electronically. This means that a landlord must fill out a form for each individual unit and mail or hand deliver it. For large-scale landlords this can represent an extensive undertaking. Several property management organizations that were contacted for input stated that they assign or hire a half-time, and in some cases a full-time, employee for the entire month of January each year to fill out LC-142.

Many tenants and tenant advocates also cited LC-142 as a major hurdle to those who are eligible for and in need of the Renter Rebate. While all landlords are required to provide a completed LC-142 upon request, regardless of the number of units they operate, some tenants claimed that their landlord refused to comply with this request. Some claimed that the LC-142 was being withheld due to unpaid rent or because the unit was not properly registered with the municipality while others reported that landlords were just not responsive. Regardless of the reason, the information on the LC-142 cannot be completed by a tenant and the landlord's signature is required for the form to be accepted by the Department of Taxes. There are alternative avenues for filing for the Renter Rebate without the LC-142 but they require significant time on behalf of both the tenant and the Department of Taxes and many tenants that reach this point when filing opt to abandon the rebate rather than continue to put resources towards the effort or risk agitating their landlord with repeated requests. Pursuing a Renter Rebate without the LC-142 also causes significant delays in receiving the rebate.

The LC-142 must be filed for every rental residence that a claimant has occupied during the year. Individuals who change addresses within the calendar year must request the LC-142 from every landlord that they have rented from in order to file.

### **PR-141**

The Renter Rebate form is probably the least burdensome of the three required forms for the Renter Rebate but is not without some difficulties. Assuming the other required forms can be obtained, the PR-141 calls for other information that is within control of the claimant. However, some of the calculations carried out on the form may be difficult and require assistance. Also, there is no way to electronically file the PR-141. Individuals who file their taxes electronically and are eligible for a Renter Rebate must fill out a hard copy of the PR-141 and mail it to the Tax Department for their tax filing to be complete. This can cause particular problems for those who indicate electronically that they are eligible for the Renter Rebate but fail to, or decide not to, file

the paper forms separately. In that case other rebates and tax relief can be delayed due to an incomplete filing that the filer may not be aware of.

### **12-month Rental Requirement**

Another significant criticism to the current Renter Rebate program heard by the Committee has to do with the disqualification of claimants who are not renting for the entire calendar year. This requirement results in disqualifying individuals who moved between homeownership and a rental during the year; anyone who temporarily left the state for job or family obligations and relinquished their rental unit while absent; and anyone who experienced homelessness for even a short period. This means that the Renter Rebate is not available to the Vermonters who are arguably most in need of assistance with housing costs.

### **Administering the Renter Rebate**

The Department of Taxes reports that the Renter Rebate claims consistently require a significantly disproportionate amount of staff time when compared to the level of benefits paid out. For the tax year 2013 the Department received approximately 16,000 claims for the Renter Rebate. Of these it is expected that 13,000 of the claims will result in a rebate being issued and 10,000 of these claims will require some form of staff follow-up. This interaction can be as simple as a letter sent to request further information or verification or a time-intensive process of calling a claimant and working through discrepancies in the forms. When a Renter Rebate claim is missing information or seems to be filed with some error, that claim is 'suspended' for further investigation. A significant number of these suspended claims require further interaction because one of the required forms contains an error or is missing and, after outreach by the VDT, the filer is determined to be eligible for the rebate.

Another major cause for VDT interaction is the number of phone calls received from filers who are seeking information about when the rebate will be issued.

## **Improvements to the Existing Renter Rebate Program**

### **Assumptions**

Understanding the existing challenges with the current Renter Rebate Program and the limitations of the State's current fiscal situation, the study committee made several assumptions to focus the investigation of improvements to the current Renter Rebate Program as well as alternative ways to assist low-income renters. It was assumed that any feasible alternative must not result in a cost greater than the current program, which is \$9 million. Another major goal was to reduce the administrative burden and lower the barriers that currently exist to those wishing to file for the rebate. Finally, any recommendation must target the benefit to those who are experiencing a housing cost burden.

### **Improvements**

There are a number of benefits to the existing program. Most importantly, it provides progressive tax relief based on income to restrict the percentage of income spent on property taxes. Due to its structure, the existing program provides a benefit to those who are very low income that results in a significant benefit to their annual budget without a proportionately significant burden on the overall cost of the program. Therefore, some changes could be made to the program parameters to make the administration and filing less burdensome and address some of the reported challenges with the program while maintaining a benefit to those who currently receive it without increasing the cost of the program.

Eliminate the required Landlord Certificate (LC-142). The Landlord Certificate was possibly the biggest hurdle for renters to obtain and correctly file, a significant burden to landlords, and a major cause of administrative follow-up from the Vermont Department of Taxes. Allowing renters to report their out-of-pocket rental costs (discounting third-party payments) on the Renter Rebate form, along with contact information for their landlord so as to discourage misreporting and allow VDT to perform audits, would greatly enhance the process of filing for the renter rebate. The major function of the LC-142 is to allow for the landlord to calculate utility costs that are included in rent when appropriate. It was reported from stakeholders that the values calculated here were often estimates or even arbitrary figures. Considering this reality, it would be possible to simplify the process by including a question on the Renter Rebate Form (PR-141) that inquired whether any utilities are included in the rent. If so, apply a 'utility allowance' in the form of a percentage reduction in gross rent to ascertain the contract rent. This is a process similar to that performed by the nation's Public Housing Authorities when working with the federally determined rental rates for public housing units. The Committee recommends that 15% be considered a reasonable figure for this discount. That is to say, for a gross rent that includes utilities and services, 15% of that amount is assumed to be consideration for said services. This is identical to the figure currently in use in the State of Maine's Property Tax Fairness Credit, that state's equivalent to Vermont's Renter Rebate. Making these changes would allow for the discontinuation of the Landlord Certificate, the most often cited and burdensome hurdle to the existing Renter Rebate Program.

Move away from calculating the rebate based on household income. The household income requirement is burdensome for multi-person rental situations, particularly when a roommate moves within the calendar year. It also requires correctly filing Form HHI-144, which states the combined income for all renters in a given unit. If the program were based on a modified Adjusted Gross Income (AGI) that takes into account the types of income included on HHI-144, a renter could file for the rebate without collecting income information from fellow renters of the unit. Said filer would report the amount of rent they paid out of pocket, which would be the basis for the renter rebate calculation. This is in contrast to a single filer in the unit collecting all the inhabitants' income information and filing based on the entire contract rent for the unit. While there would potentially be more rebate filers per household, each rebate would be based on the share of rent paid and therefore be smaller. Based on calculations performed by VDT and the Joint Fiscal Office, for household income brackets that currently file for the Renter Rebate, the AGI is roughly equivalent to 80% of the household income.

These two changes would eliminate significant program challenges and administrative burden by eliminating two of three forms that must be filed for the Renter Rebate. Such an approach would require individuals to file an income tax return (IN-111) to obtain their AGI. Currently there are eligible recipients of the Renter Rebate that are not required to file an Income Tax return, however this administrative change would still result in a decreased number of forms for all involved with particularly decreased paperwork for a majority of the rebate recipients, who already file an income tax return.

Understanding that a program that is easier to access will encourage more eligible individuals to apply and receive the rebate, there are several other changes to the program parameters that would focus the benefits on those currently eligible and most in need while maintaining overall program costs near their current level of \$9 million. Based on the analysis of various eligibility scenarios conducted by the VDT, the Committee recommends the following:



- Income Eligibility Cap at \$40,000 AGI. The current program limits eligibility to \$47,000 of household income. Moving to AGI would allow for more filers in the case of households where there are multiple individual filers, so lowering the eligibility cap is justified. It is calculated that, on average, AGI is equal to 80% of household income for the affected income brackets. This reduction would allow for most of the current filers to continue to be eligible for the Renter Rebate without expanding the program to those who are not currently eligible based on their income.
- Base Renter Rebate on “out-of-pocket” rent paid in Vermont. Moving from filings being based on a household to being based on an individual necessitates that the rebate amount be based on the amount of rent paid by the individual filer, not rent paid for the entire household. Basing the rebate on amount of rent paid in Vermont also eliminates the disqualification of those who are not claimed as a dependent but do not have a full 12 month rental history and provides property tax relief for the months that Vermont property taxes were paid by the renter.
- Reduce the percentage of rent allocable to property tax to 19%. While the evidence shows that rental vacancies are low enough throughout the state’s rental market that all property tax costs are being passed on to renters, there is a lack of empirical evidence demonstrating the exact percentage of rents that are attributable to property tax costs. Bringing the allocable rent from 21% to 19% better aligns Vermont with the equivalent calculations in other states that provide a Renter Rebate and will protect the overall cost of the program from rising. Changes to the Allocable Rent Percentage are most impactful on overall program costs.
- Reduce the Rebate cap to \$2,000. Since rebates will be provided on an individual basis, rather than per household, it is prudent to reduce the overall maximum rebate. Of the approximate 13,000 rebate recipients in tax year 2013, only 10% of the claimant households received a Renter Rebate over \$1,500.
- Establish a Rebate floor of \$100. There are not many recipients of the rebate that receive less than \$100 of benefit, but those that do are disproportionately in a very low income bracket. For these rebate recipients, such a rebate is very impactful on their ability to afford basic needs. By establishing a rebate floor, and therefore guaranteeing a minimum benefit, tax filers that may be interested in applying for the rebate but need assistance would have a greater incentive to work with a Community Action Agency to assist them with their tax preparation. This could result in more properly completed tax forms beyond just those associated with the Renter Rebate, thereby reducing the administrative burden for the Department of Taxes.

There are also administrative changes VDT has recommended in the past and could take to ease the administration of the program and reduce the number of inquiries and phone calls. Publicizing the date by which renter rebate checks will be mailed is one such change and moving to electronic administration of the program is another.

Taking these changes into consideration, all other structures of the existing program should be kept intact to ensure progressive property tax relief to individuals who are not claimed as dependents.

The Committee believes that the program parameters described above would result in a renter rebate program that provides a similar benefit to those who are currently eligible. Considerations have also been made to address the likelihood of a larger applicant pool resulting from easier program administration. It is important to note that, while there would be more eligible renters, their rebates would be based on the share of rent they pay rather than the total rent for the unit. Therefore many rebates would be less than under the current program. Data on the overall

population of renters is not sufficient to project the cost of the proposed program with a high level of certainty. This should be taken into consideration when fiscal impact is assessed and parameters are set.

## Alternatives to the Renter Rebate Program

The challenges associated with the current program have led to the question of whether there are alternative, more efficient ways to benefit low income renters. As directed by statute, the Renter Rebate Study Committee investigated the results of re-allocating the state funds spent on the Program to other potential alternatives that are aimed at reducing housing cost burden in some form. The following are the potential results of reallocating all or some portion of \$9 million, nearly equivalent to the cost of the Program in 2012, to various alternative forms of housing development or housing cost relief. Not all of the programs described below would be able to utilize an infusion of \$9 million and could be approached in some combination with other initiatives that reduce housing cost burden for Vermont's renters.

### Targeted Relief to Cost Burdened Renters

The existing Renter Rebate program is designed to limit the amount of rent paid by low income households due to property taxes. An alternative approach would be to structure a rebate program based on cost burden. This could be done through a rebate structure similar in administration to the proposed improvements to the existing Renter Rebate program described above. Such a program would be applied for on an individual basis and require only a single form separate from those already filed for taxes. The form would ask of the filer whether or not they were claimed as a dependent, what their Adjusted Gross Income was for the year and what was the amount of out-of-pocket rent they paid within Vermont during the year.

With this information, the program would apply eligibility parameters to reimburse a portion of the rent paid over an established cost burden threshold. Based on information provided by VDT and JFO on the potential costs and benefits, the following eligibility parameters would be recommended if this approach is considered:

- Income eligibility cap; \$40,000 AGI
- Rebate cap; \$1,500
- Cost Burden Threshold; 40% AGI

In this program, an individual who is not claimed as a dependent with an AGI below \$40,000 who is paying more than 40% of their income towards rent would be eligible for a rebate in the amount equal to the difference between their rent payment and 40% of their AGI up to \$1,500.

For example, someone with an AGI of \$22,000 and a monthly rental payment of \$750 per month (45% of AGI) would receive a \$200 Rebate, bringing their annual rental burden to 40% of their AGI.

Such a program would need to be analyzed by the Department of Taxes to estimate the anticipated cost to the General and Education funds.

This program would target relief to those with high rental cost burdens throughout the state, regardless of location or type of housing with minor administrative burden. However, such a program lacks the progressive relief that is the foundation of Vermont's existing program. Anyone using a housing choice voucher, or is residing in an otherwise subsidized unit would be disqualified from any benefit while they currently may be eligible for a relatively small sum that has a large positive effect on their financial capacity. The result of a program constructed in this way is to move relief from those at the margins but receiving some form of assistance only to those who are not

receiving any relief to their rental cost burden. However, with a \$1,500 cap on any individual rebate, which would be required in order to maintain current program costs of \$9 million, many of the individuals who receive the rebate at all would receive the maximum benefit and still not have their total cost burden reduced to the 40% threshold. This program also focuses solely on rental cost burden without a consideration of the attributed property taxes associated with the rental cost.

### Capital Funds for Preservation

There are a number of privately-owned rental properties that provide rental subsidies for their low income tenants through contracts with the federal government. These programs include HUD's "project-based" Section 8 program and USDA – Rural Development Section 515 program. Project-based rental assistance contracts for about 820 apartments in the former Section 8 Substantial Rehab and New Construction and RD 515 programs owned by private landlords will be up for renewal before 2020. Some of these property owners may choose to renew their contracts with HUD or continue operating their properties as affordable rentals when the contracts expire. However, owners in strong rental markets may opt to exit the contracts and increase rents. Units that currently exist as rentals affordable to low-income Vermonters could be changed to market-rate units. Not only would these particular units no longer be affordable, but the federal subsidies which are necessary to make rents affordable to very low-income people would be permanently lost to the state.

Another 1,650 affordable apartments created through the federal Low Income Housing Tax Credit Program and controlled by nonprofits will complete their initial compliance period over this period. The lower income residents in these properties would benefit from investment to make needed capital improvements and energy efficiency upgrades.

One alternative to the use of the funds expended on the Renter Rebate Program would be to allocate the equivalent amount of funding to preserve privately-owned units that have expiring rental subsidy contracts and to renovate and make energy efficiency and other improvements to apartments controlled by nonprofits. This option would annually redirect an amount equal to the renter rebate appropriation (assuming \$9 million for this illustration) for a program that provides one-time direct capital grants through the Vermont Housing and Conservation Board to nonprofit housing developers to acquire and rehabilitate the units, preserve the rental subsidies, and make them permanently affordable rental housing to households earning no more than 80% of the HUD area median income. For the purposes of this illustration, the assumption is that the funds are used to preserve at-risk Section 8, RD 515 or LIHTC properties.

Taking the following assumptions, this level of funding could preserve 182 units:

Total development cost per unit = \$200,000.

No State funds other than Renter Rebate Alternative funds available.

Amount of Renter Rebate Alternative funds per unit = \$50,000.

Amount of 4% Low Income Housing Tax Credit equity produced per unit = \$51,260.

Hard debt (must pay principal and interest) supported by cash flow (per unit) = \$23,740.

Soft debt (loans at 0% with principal and interest deferred) and other (per unit) = \$75,000

VHCB can administer the program with current staff.

Under these assumptions, which are based on costs of previous preservation projects, the \$9 million in Renter Rebate Alternative funds could preserve 182 formerly privately-owned housing units as permanently affordable. Clearly, other assumptions, such as the availability of additional funding sources will affect the number of units preserved or created. Adding programmatic

features to the program, such as the availability of service support funds, could also change the target population.

This alternative provides a substantial benefit by preserving scarce project-based rental subsidies for very low income households, protecting previous public investment and expanding the state's stock of permanently affordable housing. Nationally, tens of thousands of affordable housing units are lost every year. Vermont's housing agencies and nonprofit developers have made it a strategic priority and have been successful in preserving most at-risk properties to date. Preserving this housing and extending its affordability is less costly than developing new housing. However, state and federal housing resources used to preserve units has necessarily reduced the amount of funding available to develop new affordable housing.

The benefit to future residents of these permanently affordable units is much higher than the benefits offered by the current Renter Rebate Program. However, while increased affordable housing is needed throughout the state, such an effort would not have any immediate benefit to those currently receiving the Renter Rebate and at identical funding levels as the current program, far fewer residents would be served.

### Capital Funds for New Unit Development

As confirmed by the Housing Needs Assessment, there continues to be a strong demand for additional housing development in much of the state. It is important to note that the gap in available affordable units would be much greater if not for Vermont's ongoing commitment and previous investments in both the preservation and new development affordable housing. It is not enough to preserve existing affordable housing, more is needed to alleviate homelessness, the cost burden experienced by renters and meet projected household growth.

The following is an illustration of the effect of annually appropriating \$9 million to a program which provides one-time direct capital grants from the Vermont Housing and Conservation Board to nonprofit housing developers to create permanently affordable rental housing to households earning no more than 60% of the HUD area median income. Unlike the illustration of how renter rebate funds might be used to preserve at risk, privately-owned, Section 8 and Rural Development 515 properties, this model does not assume that the projects have the advantage of project-based rents to support hard debt (must pay principle and interest). It also differs in that it calls for using other sources of soft debt for funding. The following is based on developer experience<sup>10</sup> with recent affordable housing projects and currently available funding sources.

The illustration also assumes:

A total development cost per unit = \$230,000

Amount of Renter Rebate Alternative funds per unit = \$75,000

Amount of 4% Low Income Housing Tax Credit equity produced per unit = \$58,950

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<sup>10</sup> As noted in reports prepared by Housing Vermont, the Vermont Housing Finance Agency and the Vermont Housing and Conservation Board, there are a number of factors that drive up housing development costs in Vermont in general and with affordable housing in particular. Beyond high land acquisition costs throughout much of the state and higher labor costs than what is available in other parts of the country, affordable housing development also typically includes service elements to accommodate special needs, is sited in higher priced downtown areas where additional services are available, and has a commitment to longevity that requires higher building standards and weatherization. For a detailed comparison see the report prepared by Urban Renovation Consultants Inc for VHCBC entitled "A Comparison of Costs in Vermont Multifamily Development to U.S., Northeast States & Vermont Case Studies", Feb 12, 2008

Amount of soft second funds from other sources = \$96,050.  
VHCB can administer the program with current staff.

Under these assumptions, the \$9 million in Renter Rebate Alternative funds could construct 120 permanently affordable housing units. Clearly, other assumptions, such as the availability of additional funding sources could result in more units created. Alternatively, the lack of other soft second financing would decrease the number of units which could potentially be created. As in the alternative described above, such an effort would provide much needed, permanently affordable, rental units but would not benefit nearly as many Vermonters as those that currently benefit from the existing Renter Rebate.

### “Thrifty Voucher” Program

A State Project-Based Rental Assistance or “Thrifty Voucher” Program would target rental subsidies to apartments in affordable housing developments reserved for extremely low-income (ELI) Vermonters. ELI is defined as having a household income at or below 30% of area median income or approximately \$21,000 per year. Priority would be given for homeless, at risk, people with disabilities, and families on Reach Up. The voucher would further subsidize the rent in a development made affordable through capital subsidies alone so as to make it affordable to an ELI household. It is considered “thrifty” because the cost of further subsidizing an apartment whose rent is already below market as a result of publicly funded capital subsidies is lower than subsidizing a market rate apartment.

For example, an affordable two-bedroom home renting for \$800 a month would cost \$565 a month to make it affordable to someone on SSI, who can only afford \$235 a month for rent and utilities. By comparison, a market rate unit renting at the statewide two-bedroom Section 8 Fair Market Rent of \$1,007 a month would cost \$772, or an additional \$207, to make it affordable to the same SSI household. The Thrifty Voucher program would be administered on behalf of the State by the Vermont State Housing Authority (VSHA), patterned after the federal Project-Based Section 8 Rental Assistance Program. Assistance would be awarded to non-profit affordable housing developers in response to an RFP process. VSHA would make monthly payments to the housing provider.

At an estimated cost of \$5,000 per household, \$1 million would pay for approximately 200 Thrifty Vouchers for one year. This proposal could be one item on a menu of options for assisting low-income renters.

Outcome measures would include:

- The percentage of households who have maintained stable housing for 12 or more months
- The number of households who successfully graduate from the program by obtaining federal rental assistance, increased income, and/or no longer require support services or a deeply subsidized unit.

Thrifty vouchers would allow the owners of existing affordable units to further lower the rents to the level required by extremely low income households. Essentially, they would function as a project based rental subsidy. They would not, however, serve renters in private rental housing and would assist far fewer households than the renter rebate program.

## Appropriate Additional Rental Subsidy

Since the recipients of the Renter Rebate often cite paying rent as the main use of their rebate, a discussion of alternatives to the Renter Rebate Program often results in a discussion of expanding existing rental subsidy programs. The Study Committee looked into the results of taking a \$9 million allocation and applying it to a rental voucher program formatted on the current HUD “Section 8” Housing Choice Voucher program (HCV). The HCV is often referred to as “Tenant-based assistance” or “Tenant-based vouchers” as the voucher can be taken by the tenant to any privately owned rental unit where the rent charged does not exceed the “fair market rent” determined annually by HUD for different geographic areas. The voucher ensures the tenant does not pay more than 30% of their income for rent by calculating the difference between the rent charged and 30% of the voucher-holders income and paying that amount directly to the landlord on behalf of the tenant.

Currently the Vermont State Housing Authority is the largest administrator of HUD HCV. For the purposes of this illustration, the assumption is that VSHA will use the funds to operate a statewide program according to the Section 8 Housing Choice Voucher regulations. Of the Vouchers currently in use, the average monthly cost per unit equals \$560, which includes the actual rental cost and the administrative cost of each voucher. Under the assumption that VSHA can continue to administer the program at this level of cost and is targeting vouchers to households earning 50% or less than the area median income, an allocation of \$9 million in Renter Rebate Alternative funds could provide rental assistance to 1,340 families annually.

As with the other alternatives above, this approach would provide more substantial benefits but to far fewer households than the Renter Rebate Program which benefits approximately 13,000 households. It is also contingent upon a household’s ability to find a housing unit in their community with rent that conforms to established rent requirements. With low vacancy rates, this is increasingly difficult in many communities.

## Vermont Rental Subsidy Program

The VRSP provides tenant-based rental assistance patterned after the federal Section 8 Housing Choice Voucher Program. Administered statewide by the Department for Children and Families/Economic Services Division (DCF/ESD), local Housing Review Teams screen and score low-income households for eligibility. ESD awards subsidies based on points scored and makes monthly payments directly to landlords. The program has a designated priority with the VT State Housing Authority Section 8 program and is designed to function as a bridge to federal rental assistance. To be eligible, a household must be homeless and receiving Reach-Up or SSI, or be under 125% of Federal poverty level. Points are awarded in four categories: household type, number of people in the household, current housing situation, and income sources. Housing case management is provided by a designated housing support worker on the local Housing Review Team.

The monthly housing cost per household of this program as of December 2013 is \$642. At that level of assistance a \$9 million allocation to this program would provide assistance to an additional 1,168 households.

Alternatively, at a lower funding level, this proposal, too, could be one item on a menu of options for assisting low-income renters.

Outcome measures include:

- The percentage of households who have maintained stable housing for 12 or more months.
- The number of households who successfully graduate from the program by obtaining long-term affordable housing, a federal voucher, or increased income.

This alternative, whether considered on its own or in combination with one or more of the others, would provide more substantial benefits to fewer households and at a greater administrative cost than the existing Renter Rebate program. It is also targeted to those who are currently homeless, clearly those in need but a different group than those assisted through the Renter Rebate program.

### Subsidy + Care Enhancement

The Vermont Department of Mental Health (DMH) provides tenant-based rental vouchers for people with serious mental illness who have been hospitalized in acute care settings. Funds are granted to Vermont State Housing Authority (VSHA) to administer the housing side of the program on behalf of DMH. The program is closely patterned after the federal “Shelter + Care” Voucher Program but targets homeless, mentally ill individuals in an acute care bed awaiting discharge. VSHA makes monthly rental assistance payments directly to local landlords. Tenants pay 30% of their income towards the rent. Eligible recipients are “near” CRT eligible (Community Rehabilitation & Treatment), chronically homeless in an acute care bed preparing for discharge. Authorized under Act 79, the program originally began as a response to Tropical Storm Irene when Vermont State Hospital beds were in short supply and transitioning homeless clients back to the community with supports became an issue for AHS and DMH.

Although initially a response to Irene, more recently the program’s main focus has been to serve homeless persons in the hospital needing stable housing as part of a discharge/treatment plan. The program couples rental assistance with services from Local Participating Agencies (LPAs). Outcome measures were developed by LPAs and consumers in an advisory committee and were subsequently adopted as a nine-point Self-Sufficiency Outcome Matrix by DMH. The first client served was in January 2012. Though not necessarily considered a “bridge” program, since the need for ongoing assistance is assumed, participants may move to assistance through federal vouchers as those become available, freeing up State assistance for additional participants.

This program was funded at \$1.42 million in Fiscal Years 2014 and 2015. Due to the highly targeted nature of the beneficiaries, it would be unnecessary to provide the full level of funding that the Rental Rebate currently receives and, with somewhat expanded eligibility and at a lower funding level, could be one item among a menu of options to assist low-income renters at a funding level of \$600,000.

While a successful and much-needed program, Subsidy + Care serves a very different and specific population than the Renter Rebate Program and it is unclear how many additional households could benefit.

### Low-Income Renter Tax Credit

Another option for providing assistance to low income renters could be to utilize the existing structure of the Renter Rebate Program but base credits on the actual income and property tax rates in a given municipality. Such a program would be similar to the homeowner property tax adjustment because the benefit would not be calculated by allocating a certain percentage of the rent as “property taxes paid”, as the existing renter rebate program does, but would base the

benefit on an “average” property tax cost for the size of the rental unit (square footage or number of bedrooms). This average property tax rate would be determined based on regional sampling of actual property taxes levied on rental properties by square footage or number of bedrooms.

The rebate would provide progressive tax relief based on income to restrict the percentage of income spent on property taxes and continue to provide a benefit to those who are very low income resulting in a significant benefit at the lower levels of income.

Existing Parameters:

Income eligibility cap; \$47,000 AGI

Rebate cap; \$3,000

Would continue to be paid out of education and general fund

Progressive tables of Property tax burden:

Under \$9,999	2.0%
\$10,000 to \$24,999	4.5%
\$25,000 to \$47,000	5.0%

Improvements that provide both easier access and lower administrative efforts implemented:

Eliminate or simplify the Landlord Certificate – Self report names of renters and square footage or number of bedrooms. (Can verify by spot checking)

Adjusted Gross Income (AGI) instead of household income (per capita or per unit)

Eliminates the percentage of rent (calculates average property tax cost)

Benefit based on average\* property tax burden per rental unit of housing

Determining the average property tax burden per square footage, or number of bedrooms in any given town would require some calculation through sampling or some other mechanism to determine the initial assignment of property taxes to the size of a particular rental unit. Such an approach would also likely require a mechanism to adjust for changes in property tax rates over time. A detailed estimate of program cost would also be required.

### Allocation Towards Back Rent Program

During the outreach to stakeholders, the study committee found numerous examples of the Renter Rebate being used to pay rent that was past due, or “back rent”. There exist several programs throughout Vermont that assist households in avoiding eviction and homelessness by providing funds to pay back rent, all of which come with strict parameters on the frequency of assistance. Two examples of these are the Emergency Solutions Grant (ESG) and Community Housing Grants (CHG). Funds can be used for back rent or utility arrearages, short-term rental assistance, providing first or last month’s rent for currently homeless individuals and security deposits.

If \$9 million of Renter Rebate funds were alternatively administered to the ESG or CHG programs, they could assist an estimated 11,028 and 10,312 households respectively. For the ESG program, the average amount of assistance for the back rent program is \$389 per recipient and CHG assistance, which can be up to the value of three months’ rent, averaged \$863 per recipient.



While the number of recipients of this alternative comes much closer to the number of recipients currently receiving the Renter Rebate, there are several important considerations that should be taken into account. Firstly, the advocates who implement back rent programs at the community level would likely be against elimination of the renter rebate because of the impact on such a large number of low-income Vermont renters. To shift this amount of funding from a tax relief program for low-income renters who are nonetheless paying their rent to a "crisis or nothing" program does not represent sustainable policy and could create adverse incentives. Because these prevention and re-housing funds are awarded by DCF on an annual basis to community providers, there is no guarantee that funding is available for all 12 months in all regions of the state. This could create concerns around regional parity. Analysis by both DCF and AHS suggests that while back rent programs are highly effective intervention for preventing homelessness they are not a substitute for a Renter Rebate program which serves over 13,500 low-income and cost-burdened renter households.

## Recommendations

Vermont's Renter Rebate Program is vitally important to many Vermont renters. The program provides much needed tax relief to low income households, many of which depend on the annual rebate to catch up on bills, pay past due rent, or set aside a small amount in savings. As the rental housing market tightens, low vacancy rates and rising property taxes are placing increasing pressure on households already burdened by rising rents and slow wage growth. While there are challenges with the current program, a review of others state programs and alternatives confirms its overall structure is well constructed, effective and equitable. Many of the criticisms of the program could be alleviated by a combination of administrative, programmatic and eligibility improvements. After an examination of alternative methods and programs, it is clear none would be able to provide assistance as efficiently or directly to the beneficiaries of the current program, many of whom live in private, non-subsidized rental housing and are not otherwise able to access or benefit from state and federal housing programs.

Therefore, the Vermont Housing Council recommends retaining the existing Renter Rebate as the most efficient way of mitigating the impact of property taxes and assisting the low-income renters who currently benefit from the program. 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<sup>11</sup>.

- 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 Council is confident that these parameters will maintain a robust property tax relief program for Vermont's renters while reducing administrative burden associated with the current program. Considerations were made to keep any proposal within the current total program costs. However, specific values in the program criteria presented may need to be altered once detailed estimates of the resulting program costs can be obtained.

The Council appreciates the opportunity it was given to contribute to the examination of this program, which works in concert with other tax-relief and strategies to ensure tax fairness and assist struggling Vermonters.

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<sup>11</sup> For a detailed discussion of these recommendations, see the "Improvements to Current Program" section beginning on page 14 of the full report.

## Appendices

### Sources:

Joint Fiscal Office: “Report to the House Committee on Ways and Means; Vermont’s Renter Rebate Program”. January 15, 2014.

<http://www2.leg.state.vt.us/CommitteeDocs/2014/House%20Ways%20and%20Means/Renter%20Rebate%20Report/W~Mark%20Perrault~Report%20to%20the%20House%20Committee%20on%20Ways%20&%20Means%20Vermont%20Renter%20Rebate%20Program%20Draft~1-8-2014.pdf>

Bowen National Research: “Vermont Housing Needs Assessment”. January 5, 2015

[http://accd.vermont.gov/strong\\_communities/housing/planning/needs\\_assessment](http://accd.vermont.gov/strong_communities/housing/planning/needs_assessment)

State of Vermont Department of Taxes: “Annual Report Based on 2013 Grand List Data”. January 2014

<http://www.state.vt.us/tax/pvrannualreports.shtml>

# Appendix A: Household Income Form – HHI-144

Clear ALL fields

Important Printing Instructions

Print

**2013**  
VERMONT

*Household Income*

SCHEDULE  
**HI-144**



For the year Jan. 1–Dec. 31, 2013

CHECK IF AMENDING

\* 1 3 1 4 4 1 1 0 0 \*

Please PRINT in BLUE or BLACK INK

FORM HS-122 OR  FORM PR-141

This schedule must be attached to the 2013 Renter Rebate Claim (Form PR-141) OR the 2014 Property Tax Adjustment Claim (Form HS-122) UNLESS you are filing an AMENDED HI-144. Please read instructions before completing schedule.

Claimant's Last Name	First Name	Initial	Claimant's Social Security Number
Spouse or CU Partner Last Name	First Name	Initial	Claimant's Date of Birth / /

List the names and Social Security Numbers of all other persons (other than a Spouse or CU Partner) who had income and lived with you during 2013. Include their income in Column 3. If you have more than two "Other Persons" living in your household, record the names and social security numbers on a separate sheet of paper and include with the filing.

Other Person #1 Last Name	First Name	Initial	Other Person #1 Social Security Number
Other Person #2 Last Name	First Name	Initial	Other Person #2 Social Security Number

Yearly totals of ALL members of the household		1. Claimant	2. Spouse/CU Partner	3. Other Persons
INCOME	a. Cash public assistance and relief . . . . . a.	.00	.00	.00
	b. Social security/railroad retirement/veteran's benefits, taxable and nontaxable . . . . . b.	.00	.00	.00
	c. Unemployment compensation/worker's compensation . . . . . c.	.00	.00	.00
	d. Wages, salaries, tips, etc. (See instructions for dependent's exempt income.) . . . . . d.	.00	.00	.00
	e. Interest and dividends . . . . . e.	.00	.00	.00
	f. Interest on U.S., state, and municipal obligations, taxable and nontaxable . . . . . f.	.00	.00	.00
	g. Alimony, support money, child support, cash gifts . . . . . g.	.00	.00	.00
	h. Business income. If the amount is a loss, enter zero. See instructions for offsetting a loss. . . . . h.	.00	.00	.00
	i. Capital gains, taxable and nontaxable. If the amount is a loss, enter zero. See instructions for offsetting a loss. . . . . i.	.00	.00	.00
	j. Taxable pensions, annuities, IRA and other retirement fund distributions. See instructions. . . . . j.	.00	.00	.00
	k. Rental and royalty income. If the amount is a loss, enter zero. See instructions for offsetting a loss. . . . . k.	.00	.00	.00
	l. Farm/partnerships/S corporations/LLC/Estate or Trust income. If the amount is a loss, enter zero. See Line i instructions for only exception to offset a loss. . . . . l.	.00	.00	.00
	m. Other income (See instructions for examples of other income). Please specify. . . . . m.	.00	.00	.00
	n. TOTAL INCOME: Add Lines a through m. . . . . n.	.00	.00	.00

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continued on back

Schedule HI-144 31



\* 1 3 1 4 4 1 2 0 0 \*

	1. Claimant	2. Spouse/CU Partner	3. Other Persons								
	\$ 0.00	\$ 0.00	\$ 0.00								
	1. Amount from Line n, Column 1	2. Amount from Line n, Column 2	3. Amount from Line n, Column 3								
o. <i>See instructions</i> Enter Social Security and Medicare tax withheld on wages. <b>Self-Employed:</b> Enter self-employment tax from Federal Schedule SE. This entry may differ from W-2/1099 or Federal Schedule SE amount if these taxes are paid on income not required to be reported on Schedule HI-144. Attach W-2 and/or Federal Schedule SE if not included with income tax filing.	.00	.00	.00								
p. Child support paid. You must attach proof of payment. See instructions.	.00	.00	.00								
<table border="1"> <thead> <tr> <th>Support paid to: Last Name</th> <th>First Name</th> <th>Initial</th> <th>Social Security Number</th> </tr> </thead> <tbody> <tr> <td> </td> <td> </td> <td> </td> <td> </td> </tr> </tbody> </table>				Support paid to: Last Name	First Name	Initial	Social Security Number				
Support paid to: Last Name	First Name	Initial	Social Security Number								
q. Allowable Adjustments from Federal Form 1040 or 1040A											
q1. Business Expenses for Reservists (1040, Line 24)	q1. .00	.00	.00								
q2. Alimony paid (1040, Line 31a)	q2. .00	.00	.00								
q3. Tuition and Fees (1040, Line 34 or 1040A, Line 19)	q3. .00	.00	.00								
q4. Self-employed health insurance deduction (1040, Line 29)	q4. .00	.00	.00								
q5. Health Savings account deduction (1040, Line 25)	q5. .00	.00	.00								
r. Add Lines o, p and total of Lines q1 to q5 for each column	r. .00	.00	.00								
s. Subtract Line r from Line n of each column. If a negative amount, enter zero (0)	s. .00	.00	.00								
t. Add all three amounts from Line s. If a negative amount, enter zero (0)			t. .00								
u. Complete if born 1/1/1949 and after. Enter interest and dividend income from Lines e and f.	u. .00	.00	.00								
v. Add all three amounts from Line u.			v. .00								
w. ....			w. 10000.00								
x. Subtract Line w from Line v. If Line w is more than Line v, enter zero (0).			x. .00								
y. HOUSEHOLD INCOME. Add Line t and Line x.			y. .00								

**RENTERS:**

If Line y Household Income is \$47,000 or less, you may be eligible for a renter rebate. Complete Form PR-141. This schedule must be filed with the Renter Rebate Claim. Claims are due April 15, 2014 but can be filed up to October 15, 2014.

If Household Income is more than \$47,000, you do not qualify for a renter rebate.

**HOMEOWNERS:**

*Form HS-122, Property Tax Adjustment Claim*, must be filed each year.

*Homeowners with Household Income up to \$105,000 on Line y should complete Form HS-122, Section B.* You may be eligible for a property tax adjustment. This schedule must be filed with the HS-122.

*Form HS-122 Due Date - April 15, 2014.* Homeowners filing a completed HS-122 and HI-144 between April 16 and October 15, 2014 may still qualify for a property tax adjustment. A \$15 late filing fee will be deducted from the adjustment.

# Instructions for Form LC-142 Landlord's Certificate

## ISSUE CERTIFICATES TO TENANTS

By January 31st. . . . . If you have **2 or more** residential units.  
Upon tenant request . . . . . If you have **1** residential unit

## IF TENANT MOVES BEFORE END OF YEAR

You can provide a completed certificate to the tenant when he or she leaves or mail the certificate to the new address or last known address by the time shown above for issuing certificates to tenants. **Please use certificate with 10/12 revision date.**

## FAILURE TO ISSUE A CERTIFICATE

You may be assessed a \$200 per certificate penalty for failing to provide a tenant a certificate or failing to provide accurate information on the certificate.

## NON-PROFIT MOBILE HOME PARKS OWNED BY COOPERATIVE OR TENANT/OWNERS

**Do not** issue a landlord certificate for lot rent. The non-profit park provides a letter to the tenant allocating the property tax assessed on the lot.

## OTHER MOBILE HOME LOT RENT

Issue a landlord certificate for the lot rent.

## RENT ELIGIBLE FOR REBATE

The rent eligible for rebate is only the rent actually paid for the right of occupancy. The part of rent attributable to items included in rent on Line 6 must be deducted to arrive at the rent paid for occupancy.

## NURSING HOMES, COMMUNITY CARE AND LIKE FACILITIES

Payments by Medicaid on behalf of the tenant cannot be included as part of rent eligible for rebate.

A person who resides in a nursing or residential care home who owns a homestead with a sibling or spouse can claim a renter rebate if the sibling or spouse does not make a property adjustment claim.

## LINE-BY-LINE INSTRUCTIONS

### CLAIMANT INFORMATION

The Social Security Number of the Claimant is entered by the Claimant after the certificate is completed.

### LANDLORD and RENTAL UNIT INFORMATION

**Line 1** Enter the name of the owner of the rental property. If multiple owners, print each owner name separated by a comma. Attach a separate sheet of paper if you need more room. Print the mailing address where you wish any correspondence concerning this rental unit to be sent.

**Line 2** Enter the physical location of the rental unit.

*Example:* 123 Main Street Apt 3

**Line 3** Enter the School Parcel Account Number (SPAN) for this rental property. The SPAN is found on the property tax bill.

**Line 4** Enter the number of rental units in this property. For mobile home parks, enter the number of lots.

**Line 5** Check the applicable box that best describes the rental unit type.

**Line 6** Check the items included in rent. "Other services" include rubbish removal, snow removal, etc. It does not include services necessary for occupancy such as water or sewer costs. **NOTE:** If you check items included in rent, be sure to enter the dollar value on Line 11.

**Line 7** Print the name(s) of the tenants. If two or more individuals share the same unit for the same period of time, print the name of each tenant separated by a comma. Only one certificate per rental unit can be issued even if there is more than one tenant in the unit.

**Line 8a** Enter the calendar year the certificate covers.

**Line 8b** Enter the number of months the tenant rented the unit from you in the calendar year in Line 8a. Only the rent paid during the calendar year is eligible for a renter rebate.

**Line 9** Enter the full monthly rent for the rental unit. If the rent changed during the year, average the monthly rental amount. For subsidized rent, this is the full rent charge prior to the subsidy.

**Line 10** Enter the total rent amount paid in this calendar year by the tenant for this calendar year. Do not include delinquent rent paid for prior year(s). Deposits are not part of rent paid. Do not include room charges for any month when paid by Medicare on behalf of the tenant.

**Line 11** If Line 6 indicates items included in rent, enter the dollar value of those items. If the items are not recorded by rental unit, use a reasonable allocation method such as number of rooms or square footage of the unit compared to the total number of rooms or square footage of the rental units in the building.

**Line 13** Enter 100.00% if rent is not subsidized.

For state or federal rent subsidy, enter the percentage the tenant pays. If the subsidy pays 80% of the rent, enter 20.00 on this line. If the subsidy changed during the year, average the subsidy percentage.

**Signature** The landlord or authorized representative signs the completed certificate. Give or mail the original certificate to the tenant. Keep a copy for your records.

### ASSISTANCE TO COMPLETE CERTIFICATE

Phone: 1-866-828-2865 (toll-free in VT)

802-828-2865 (local or out-of-state)

Fax: 802-828-2720

### INFORMATION FOR TENANTS

If you are unable to get a certificate from your landlord, call the phone number above for assistance and more information on filing a renter rebate claim.

You may claim a renter rebate even if you are not required to file an income tax return.

**PLEASE NOTE! The Landlord's Certificate is intended for landlords only. Renters with household income of \$47,000 or less should receive the Landlord's Certificate directly from the landlord.**

**Important Printing Instructions**

**Form LC-142**  
Rev. 10/12

**VT** *Landlord's Certificate* **FORM LC-142**



**CLAIMANT:** Remember to enter your Social Security Number when you file the rebate claim. This schedule must be attached to the Renter Rebate Claim OR the Property Tax Adjustment Claim.

Claimant's Last Name	First Name	Initial	Claimant's Social Security Number
			- -

Section A: Landlord and Rental Unit Information

1. Name of owner or landlord		Landlord's Full Mailing Address	
2. Location of rental unit		city/town	
3. SPAN Number	(From property tax bill)	4. Enter the number of rental units in this building	
5. RENTAL UNIT IS (check type)		6. ITEMS INCLUDED IN RENT (Check all that apply)	
<input type="checkbox"/> Apartment	<input type="checkbox"/> Lot for mobile home	<input type="checkbox"/> Boarding home	<input type="checkbox"/> Heat
<input type="checkbox"/> House	<input type="checkbox"/> Mobile home	<input type="checkbox"/> Nursing home/ community care	<input type="checkbox"/> Electricity
7. List name(s) of renters for this rental unit during this period		<input type="checkbox"/> Other Services	<input type="checkbox"/> Furnishings
		<input type="checkbox"/> Personal Care	

Section B: Allocable Rent

8. Calendar year	8a.	Number of months rented	8b.
9. Monthly rental amount paid	9.		. 00
10. Total Rent Paid for calendar year listed on Line 8a.	10.		. 00
11. Less dollar value of items checked in Box 6 above that were included in rent (heat, electricity, etc.)	11.		. 00
12. Adjusted rent paid for calendar year listed on Line 8a (Line 10 minus Line 11).	12.		. 00
13. For government subsidized rent, enter percent tenant pays. For nonsubsidized rent, enter 100.00%	13.		%
14. Rent Paid during calendar year solely for the right of occupancy (Multiply Line 12 by Line 13)	14.		. 00
15. Rental Adjustment	15.	21	. 00 %
16. Allocable Rent (Multiply Line 14 by Line 15) Enter here and on Form PR-141, Line 3. For MOBILE HOME LOT RENT, enter on Property Tax Adjustment Claim. DO NOT FILE FORM PR-141.	16.		. 00

I certify the rental information on this Landlord's Certificate is, to the best of my knowledge and belief, true, correct, and complete.



Signature of landlord or authorized representative \_\_\_\_\_ Date \_\_\_\_\_ Daytime Telephone Number \_\_\_\_\_

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Clear Lines 2-16 only

Clear Lines 7-16 only

Clear ALL data

Print

Form LC-142 Rev. 10/12

# Appendix C: Renter Rebate Form – PR-141

**Clear ALL fields**

**Important Printing Instructions**

**Print**

**DUE DATE: April 15, 2014 (Claims allowed up to Oct. 15, 2014)** BLUE or BLACK INK

<b>2013</b>	<b>Renter Rebate Claim</b>	<b>FORM</b>
<b>VERMONT</b>	<i>FOR HOUSEHOLD INCOME OF \$47,000 OR LESS</i>	<b>PR-141</b>



\* 1 3 1 4 1 1 1 0 0 \*  
For the year Jan. 1–Dec. 31, 2013

**Must Be Filed With: Household Income (Schedule HI-144) and Landlord's Certificate (LC-142)**

Claimant's Last Name	First Name	Initial	Claimant's Social Security Number
Spouse or CU Partner Last Name	First Name	Initial	Spouse or CU Partner Social Security Number
Mailing Address (Number and Street/Road or PO Box)			Claimant's Date of Birth (MM DD YYYY)
City	State	ZIP Code	
Location of rental property (number, street/road name (Do not use "PO Box", "same", or Town name))			
1. VT School District Code	2. City/Town of Legal Residence on 12/31/2013	State	

**ALL eligibility questions must be answered. You must have rented all 12 months in 2013. See instructions on page 44 for exception.**

- Q1.** Were you domiciled in VT all of calendar year 2013?  Yes, Go to Q2.  No, STOP. You are not eligible.
- Q2.** Were you claimed as a dependent by another taxpayer in 2013?  Yes, STOP. You are not eligible.  No, Go to Q3.
- Q3.** Did you rent in VT all 12 months in calendar year 2013?  Yes, Complete this form  No, STOP. You are not eligible.

## REBATE CALCULATION

Before doing rebate calculation, complete Household Income (Schedule HI-144).  
**YOU MUST ATTACH SCHEDULE HI-144 AND THE LC-142 TO THIS FORM.**

Attach Schedule HI-144 and Form LC-142

3. ALLOCABLE RENT (LC-142, Line 16) .....	3.	_____	<b>.00</b>								
4. HOME USE. If more than 25% of this rental is used for business, see instructions. If no business use, enter 100.00% .....	4.	_____	<b>.00 %</b>								
5. ALLOWABLE RENT FOR REBATE CLAIM (Multiply Line 3 by Line 4) .....	5.	_____	<b>.00</b>								
6. HOUSEHOLD INCOME (Schedule HI-144, Line y) If more than \$47,000, you are not eligible. 6.	6.	_____	<b>.00</b>								
6a. If AMENDED SCHEDULE HI-144, Household Income, is attached, check here. <input type="checkbox"/>											
7. MAXIMUM PERCENTAGE OF INCOME FOR RENT .....	7.	_____	<b>%</b>								
<table border="1"> <tr> <td>If Line 6 Household Income is:</td> <td>\$0 – 9,999</td> <td>\$10,000 – 24,999</td> <td>\$25,000 – 47,000</td> </tr> <tr> <td>Enter this % on Line 7:</td> <td>2.0%</td> <td>4.5%</td> <td>5.0%</td> </tr> </table>				If Line 6 Household Income is:	\$0 – 9,999	\$10,000 – 24,999	\$25,000 – 47,000	Enter this % on Line 7:	2.0%	4.5%	5.0%
If Line 6 Household Income is:	\$0 – 9,999	\$10,000 – 24,999	\$25,000 – 47,000								
Enter this % on Line 7:	2.0%	4.5%	5.0%								
8. MAXIMUM RENT FOR HOUSEHOLD INCOME (Multiply Line 6 by Line 7 and enter result here) .....	8.	_____	<b>.00</b>								
If Line 8 is <i>more than</i> Line 5, you do not qualify for a renter rebate.											
9. RENTER REBATE AMOUNT (Subtract Line 8 from Line 5 and enter result here.) If result is zero, you do not qualify for a rebate. <i>If filing this form with the VT Income Tax Return, also enter this amount on Form IN-111, Line 31d.</i> .....	9.	_____	<b>.00</b>								

**MAXIMUM REBATE AMOUNT IS \$3,000.**

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct and complete. Preparers cannot use return information for purposes other than preparing returns.

Signature	Date	Telephone Number
Signature. If a joint return, BOTH must sign.	Date	

Check here if authorizing the VT Department of Taxes to discuss this return and attachments with your preparer.

Preparer's signature	Date	Preparer's SSN or PTIN
<b>Preparer's Use Only</b>	Firm's name (or yours if self-employed) and address	EIN
5454		Preparer's Telephone Number

**Keep a copy for your records.**

**MAIL TO:** VT Department of Taxes, PO Box 1881, Montpelier, VT 05601-1881

Form PR-141

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# Instructions for Form PR-141 Renter Rebate Claim

The Renter Rebate Program refunds eligible renters the portion of rent paid that exceeds an established percentage of household income.

**Do NOT file a renter rebate if you rent a lot for your mobile home. See instructions for HS-122.**

## TENANTS ARE TO RECEIVE THE LANDLORD'S CERTIFICATE BY

**Date** **If Landlord has**  
January 31, 2014 or before . . . . . **2 or more** residential units  
Upon tenant request . . . . . **1** residential unit  
Submit a completed Landlord's Certificate, LC-142, for each rental unit you occupied in calendar year 2013.

**MISSING INFORMATION OR INCOMPLETE FILING:** Claims that are incomplete or are missing information are not considered filed. The information must be provided by the October 15 filing deadline. Information received after that time cannot be accepted.

**INJURED SPOUSE CLAIMS:** To make an "injured spouse" claim, send the following information prior to filing your claim:

- (1) the request letter; and,
- (2) copy of Federal Form 8379 (if you filed one with the IRS).

Mail To: VT Department of Taxes, ATTN: Injured Spouse Unit, PO Box 1645, Montpelier VT 05601-1645.

The Department will notify you if the renter rebate is taken to pay a bill. You have 30 days from the date on the notice to submit the injured spouse claim to the Department.

**ELIGIBILITY FOR RENTER REBATE:** You must meet ALL of the following eligibility requirements:

- You were domiciled in VT for the entire calendar year 2013 and,
- You were not claimed in 2013 as a dependent of another taxpayer; and,
- Your household income in 2013 did not exceed \$47,000; and,
- You are the only person in the household making a renter rebate claim; and,
- You rented in VT for all 12 months in 2013. See page 44 for the one exception.

**DECEASED RENTER:** A claim cannot be filed on behalf of a deceased person. The right to file a renter rebate claim is personal to the claimant and does not survive the claimant's death.

**NURSING OR RESIDENTIAL CARE HOME:** The Renter Rebate Claim is for the room occupancy charge only. Services such as heat, electricity, personal services, medical services, etc., must be deducted. Generally, the room charge is 25% of the total charges to the person. For a percentage greater than 25%, a breakout of costs must be provided. Payments by Medicaid on behalf of the Claimant to the nursing home are not part of rent paid.

**NOTE:** A person residing in a nursing or residential care home that owns a homestead with a sibling or spouse can claim a renter rebate if the sibling or spouse does not make a property tax adjustment claim.

## LINE-BY-LINE INSTRUCTIONS

**Complete Schedule HI-144 FIRST.** If Line y is more than \$47,000, you are ineligible.

**Supporting Documents Required:** Schedule HI-144 and LC-142

**Claimant's Date of Birth** Enter your date of birth

**Claimant Information** Enter your name, your spouse/civil union partner name, mailing address and Social Security number(s). The rebate is issued to the name(s) and address on record. The claimant is the leaseholder or the person responsible for the rent. Only one claim per household is allowed.

**Line 1 VT School District Code** Go to the table on page 14 and select the three-digit school district code for the town where you lived on December 31, 2013.

**Line 2 Legal Residence** Enter your legal residence as of December 31, 2013. Your legal residence is where you lived and may be different from your mailing address.

**Location of Rental Property** Enter the physical location as of 12/31/2013. DO NOT enter a post office box, "same", "see above," or the town name.

**Eligibility Questions** ALL questions must be answered or the claim cannot be processed. Check the appropriate "Yes" or "No" box for Q1, Q2 and Q3 to determine your eligibility.

### Rebate Calculation

Only the rent paid during the calendar year is eligible for a renter rebate.

**Line 3 Allocable Rent** Enter amount from the Landlord's Certificate, LC-142, Line 16. Allocable rent is based on rent paid in a calendar year. **MORE THAN ONE LANDLORD'S CERTIFICATE:** Add Line 16 from each certificate and enter amount on this line. File all LC-142s with your claim. If the landlord certificate has indicated on Line 6 items that are included in rent and Line 11 on the landlord certificate is left blank, the allowable rent will automatically be reduced by 50% except rental in nursing homes, community care, assisted living, and like facilities and boarding houses will be reduced by 75%.

**Line 4 Home Use** If you use more than 25% of your rental unit's floor space for business purposes, the allowable rent amount is adjusted. The percentage of business use is generally the same percentage used on your Federal Form 8829. To calculate business use, divide the square feet used for business by the total square feet in the rental unit. *Example:* You use an 11' x 12' room for an office and inventory storage. Your rental unit is 484 square feet (including the business use). Your business use is  $11 \times 12 = 132 \text{ ft}^2 / 484 = .27$  or 27% business use. Entry on Line 4 for home use is 73.00 (100% - 27%).

If the rental unit is used solely as your home, or business use is 25% or less, enter 100% on Line 4.

**Line 5 Allowable Rent for Rebate Claim** Multiply Line 3 by Line 4.

**Line 6 Household Income** Enter the amount from Schedule HI-144, Line y.

**Line 7 Maximum Percentage of Income for Rent** Use the chart to find your household income range and applicable percentage. Enter that percentage here.

**Line 8 Maximum Allowable Rent for Household Income** Multiply Line 6 by Line 7. If Line 8 is more than or the same as Line 5, you are not eligible.

**Line 9 Renter Rebate Amount** Subtract Line 8 from Line 5. This is your 2013 renter rebate. If you are filing the renter rebate claim with your 2013 VT income tax return, also enter this amount on Form IN-111, Line 31d. You may be issued one check combining any income refund and rebate due you.

**NOTE: A Renter Rebate cannot exceed \$3,000.**

**Signature** Sign the claim.

**Date** Write the date on which the claim form was signed.

**Disclosure Authorization** If you wish to give the Department authorization to discuss your 2013 Renter Rebate Claim with your tax preparer,  check this box and include the preparer's name.

**Preparer** If you are a paid preparer, you must also sign the claim, enter your Social Security number or PTIN and, if employed by a business, the EIN of the business.

If someone other than the filer(s) prepared the return without charging a fee, then that preparer's signature is optional.



# The Vermont Housing Council

Led and staffed by the Department of Housing and Community Development  
[http://accd.vermont.gov/strong\\_communities](http://accd.vermont.gov/strong_communities)