



# VERMONT LEGISLATIVE Joint Fiscal Office

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## Fiscal Note

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### H.829 – An act relating to long-term housing solutions

As recommended by the House Committee on Ways and Means, Draft 1.8

#### Bill Summary

This bill would make changes to the personal income and property transfer tax (PTT). The personal income tax would add a new bracket of 11.75% starting at \$500,000 of income. Exemption and threshold values for the general 1.25% PTT tax rate and the 0.2% Clean Water Surcharge would increase and the rate on transfer value greater than \$600,000 would increase to 3.25%. The bill would also make investments in a wide range of housing programs through fiscal year 2025 General Fund appropriations. Intent language would set an approximate \$900 million target for cumulative housing investments between fiscal years 2026 and 2034.

#### Fiscal Impact

JFO estimates the bill would have various fiscal impacts starting in fiscal year 2025 for both the General Fund and the Clean Water Fund. The table below summarizes the General Fund impacts of the bill. In fiscal year 2025, revenue generated through the property transfer tax matches housing appropriations. In fiscal year 2026, the General Fund would receive \$40.7 million after appropriations to housing programs from additional revenues generated by personal income and property transfer tax. Those funds are intended to be used for temporary emergency housing.

**H.829 General Fund Impact (\$ millions)**

	FY 2025	FY 2026
Personal Income Tax	-	\$74.90
Property Transfer Tax	\$17.50	\$17.50
Total Housing Appropriations <sup>1</sup>	\$17.50	\$51.70
<b>General Fund Balance</b>	-	<b>\$40.70</b>

In addition to these General Fund impacts, the bill would also reduce Clean Water Fund revenues by \$700,000 annually starting in fiscal year 2025.

<sup>1</sup> A table in the background and details section of the fiscal note outlines the individual housing appropriations that would be made in the bill.

## Background and Details

The following sections have a fiscal impact.

### Sections 3, 6, 7, 8-12, and 15: Fiscal Year 2025 Housing Appropriations

These sections make various appropriations to housing programs in fiscal year 2025, as summarized below. Appropriations starting in fiscal year 2026 would be part of a stated General Assembly intent in this bill to make \$900 million in housing investments between fiscal year 2026 and 2034.

Housing Appropriations	FY 2025	Potential Appropriations - FY 2026
VHCB		
Shelter Beds	2.40	8.60
Permanent Supportive Housing	-	6.00
Homeownership	0.80	1.00
Rental Production	3.30	18.50
Farmworker Housing	0.80	1.00
<i>Subtotal VHCB</i>	<i>7.30</i>	<i>35.10</i>
DHCD - VHIP	1.00	3.00
Land Access and Opportunities Board	1.00	1.00
Refugee Housing	0.90	0.90
Manufactured Home Improvements	-	1.00
Eviction Protection	3.90	3.00
Residential Services Fund	0.70	3.00
Shelter Operations	2.70	4.70
<b>Total</b>	<b>17.50</b>	<b>51.70</b>

*Section 3: Department of Housing and Community Development (DHCD) – Vermont Rental Housing Improvement Program*  
 Section 3 appropriates \$1 million from the General Fund to the DHCD for the Vermont Rental Housing Improvement Program (VHIP). VHIP offers grants of up to \$50,000 per unit to bring housing units up to code compliance, add units to an existing building, or create accessory dwelling units.<sup>2</sup>

*Section 6: Vermont Housing and Conservation Board (VHCB) – Land Access and Opportunity Board*  
 Section 6 appropriates \$1 million from the General Fund to VHCB to administer and support the Land Access and Opportunity Board. Created by Act 192 (2022) to engage with organizations working on housing equity and land access, the Board recommends new opportunities to improve access to open space and homeownership for Vermonters from historically marginalized or disadvantaged communities.<sup>3</sup>

*Section 7: VHCB*

VHCB would receive a \$7.3 million appropriation from the General Fund for four program areas:

- Shelter Beds;
- Homeownership;
- Rental Production; and
- Farmworker Housing.

*Section 8: Agency of Human Services – Refugee Housing*

Section 8 appropriates \$900,000 to the Refugee Office in the Agency of Human Services to support transitional housing for refugees.

<sup>2</sup> <https://acd.vermont.gov/vhip>

<sup>3</sup> <https://vhcb.org/our-programs/land-access-and-opportunity-board>

*Section 9-11: Agency of Human Services (AHS) Grants and Vermont State Housing Authority – Eviction Prevention Initiatives*

- Section 9 appropriates \$400,000 from the General Fund to the Department for Children and Families’ Office of Economic Opportunity (DCF-OEO) for a grant to the Champlain Valley Office of Economic Opportunity for the Rental Housing Stabilization Services Program.
- Section 10 appropriates \$1,025,000 from the General Fund for a grant to Vermont Legal Aid for the Tenant Representation Program.
- Section 11 appropriates \$2,500,000 to the Vermont State Housing Authority for the Rent Arrears Assistance Program.

*Section 12: AHS Grants – Resident Services Program*

Section 12 appropriates \$700,000 of General Fund to AHS for a grant to VHCBC to implement a resident services program, which would distribute funds to affordable housing organizations to respond to urgent resident needs and aid with housing retention.

*Section 15: DCF-OEO – Individuals Experiencing Homelessness (Shelter Operations)*

This section appropriates \$2.7 million to the DCF-OEO for grants to assist individuals experiencing homelessness.

**Sections 18-25: Property Transfer Tax**

Section 18 would adjust threshold amounts for the property transfer tax (PTT). The bill would increase the \$100,000 threshold value for the 1.25% general rate to \$200,000 for principal residences, and from \$110,000 to \$250,000 for principal residences financed through VHFA, VCTF or USDA-RD housing programs. These exemptions are expected to cost \$4.6 million annually. Section 18 also adds a 3.25% tax rate for the marginal value of transferred properties greater than \$600,000, which would generate an additional \$22.3 million per year. Together, these changes are estimated to result in \$17.5 million in additional PTT revenue starting in fiscal year 2025.

Section 19 would adjust the exemption from the 0.2% Clean Water Surcharge from \$100,000 to \$200,000 in transfer value for principal residences and from \$200,000 to \$250,000 for principal residences financed through certain mortgage programs. Section 20 would make conforming changes to account for the statutory adjustment to the Clean Water Surcharge rate starting in fiscal year 2028. These changes are expected to reduce Clean Water Surcharge revenue by approximately \$700,000 per year starting in fiscal year 2025. The table below shows the new rates and threshold values as proposed in H.829.

**Proposed changes to property transfer tax rates and threshold values in H.829**

Type of Property	Value Taxed	0.5% Property Transfer Tax	1.25% Property Transfer Tax	3.25% Property Transfer Tax	0.2% Clean Water Surcharge
Not Principal Residence	\$0-\$600,000		X		X
	Marginal Value > \$600,000			X	X
Principal Residence	\$0-\$200,000	X			
	\$200,000 - \$600,000		X		X
	Marginal Value > \$600,000			X	X
Principal Residence Purchased w/ VHFA, VCTF, or USDA Assistance	\$0 - \$250,000				
	\$250,000 - \$600,000		X		X
	Marginal Value > \$600,000			X	X

Sections 21-24 propose changes to the allocation of PTT revenue. Under current statute, after bond payments and a 2% allocation to the Department of Property Valuation and Review (PVR) for

administrative expenses, the Vermont Housing and Conservation Trust Fund receives 50% of PTT revenue, the Municipal and Regional Planning Fund receives 17%, and the General Fund receives 33%. These amounts have historically been notwithstanding in the budget process. This section would allocate these revenues in line with statutory allocations based on current law PTT revenues in the January Consensus Revenue Forecast with an annual adjustment based on the year over year change in overall General Fund appropriations.

Section 24 would exempt transfers of abandoned properties from the property transfer tax if the property is rehabilitated and used as a principal residence within three years of the transfer. The limited scope of the exemption means that very few properties meeting the criteria of “abandoned” will be transferred, leading to a negligible General Fund revenue impact starting in fiscal year 2025.

**Section 26: Personal Income Tax**

Section 26 would add a new top marginal bracket and tax rate for all filing statuses. The new top marginal bracket would tax filers at a rate of 11.75% on Vermont Taxable Income above:

- \$410,650 for single filers,
- \$500,000 for married filing jointly filers,
- \$455,350 for head of household filers, and
- \$250,000 for married filing separately filers.

These new brackets would be effective starting in tax year 2025.

**JFO estimates the new top marginal rate will increase personal income tax revenue by \$74.9 million in fiscal year 2026.**

**New Tax Brackets effective tax year 2025:**

Single		
AGI		Marginal Tax Rate
\$0	\$47,900	3.35%
\$47,900	\$116,000	6.60%
\$116,000	\$242,000	7.60%
\$242,000	\$410,650	8.75%
\$410,650	and up	11.75%

Married Filing Jointly		
AGI		Marginal Tax Rate
\$0	\$79,950	3.35%
\$79,950	\$193,350	6.60%
\$193,350	\$294,650	7.60%
\$294,650	\$500,000	8.75%
\$500,000	and up	11.75%

Head of Household		
AGI		Marginal Tax Rate
\$0	\$64,150	3.35%
\$64,150	\$165,700	6.60%
\$165,700	\$268,350	7.60%
\$268,350	\$455,350	8.75%
\$455,350	and up	11.75%

Married Filing Separately		
AGI		Marginal Tax Rate
\$0	\$39,975	3.35%
\$39,975	\$96,675	6.60%
\$96,675	\$147,325	7.60%
\$147,325	\$250,000	8.75%
\$250,000	and up	11.75%