

H.546 Tax Technical and Policy Changes

Correct appropriation language in 32 VSA § 4041a (Sec. 1)

- In 2018 the Equalization and Reappraisal account was eliminated from the Ed Fund along with other changes to the fund's composition (elimination of the General Fund transfer; addition of new Ed Fund revenue sources). The Legislature has subsequently made this annual appropriation from the GF, but the language referencing the EF still remains in § 4041a.

Updating 32 VSA § 5412 regarding municipal reimbursement (Sec. 2)

- § 5412 is a reimbursement mechanism for towns faced with a loss in grand list value after an appeal or court action. PVR reviews reimbursement applications to ensure the town followed best practices and that any settlement was consistent with fair market value (FMV).
- Current law is clear about 'best practice' when it comes to value loss resulting from a judicial decision – specifies that there can be “no further right of appeal.”
- New language allows the PVR director to waive the requirement to continue an appeal or court action until there is no further right of appeal if she determines the court decision is consistent with FMV.
- The Department recently had to deny a reimbursement application even though the town got a ruling from a superior court (consistent with FMV) and going beyond that to the Supreme Court would not have been advisable.

Annual linkup to federal tax statutes (Secs. 3-4)

- Conforms Vermont income tax law to federal income tax law in effect 12/31/23.

Increase Renter Credit income eligibility thresholds (Sec. 5)

- Renter Credit (formerly Renter Rebate) was significantly overhauled effective tax year 2021.
- The program is consistently budgeted at \$9.5M annually, but analysis at Tax has determined that the natural state of the program is to \$7.4M per year (controlling for the impacts of pandemic-era housing subsidies).
- By changing the income eligibility thresholds, more low-income Vermonters would be eligible to receive the Renter Credit and many current recipients would receive a larger credit. The proposed expansion would:
 - Raise the income limit from 50% Area Median Income (AMI) to 65% AMI
 - ~3K more renters would get a credit; ~4K existing recipients get a bigger credit
 - No change needed to the \$9.5M appropriation level

Eliminate \$15 Late Fee for Property Tax Credit (Secs. 6-7)

- Statute requires that a \$15 late fee is applied to any property tax credit (PTC) claims filed after the April 15 due date.

- The statute expressly states this fee is to compensate towns "for the cost of issuing an adjusted homestead property tax bill." However, the Department has improved efficiency so that many late-filed PTC claims are included along with all timely-filed PTCs in the first (June 30) PTC file that towns receive for calculating their tax bills. This is prior to any town issuing a property tax bill so no re-issuing of bills is necessary.
- No state-level fiscal impact to repeal. Towns currently net a small amount of revenue from these fees. Using tax year 2022 as an example:
 - Total fees (across all towns) came to \$88,000.
 - Average impact per town is \$348; median impact \$225.