

H.607

Introduced by Representative Krasnow of South Burlington

Referred to Committee on

Date:

Subject: Commerce and trade; property; housing; corporations; taxation

Statement of purpose of bill as introduced: This bill proposes to require that institutional real estate investors wait 90 days prior to the purchase or acquisition of single- and two-family residences and to eliminate tax deductions for depreciation or interest related to these properties for institutional real estate investors.

An act relating to institutional real estate investors' purchase of single- and two-family residences

It is hereby enacted by the General Assembly of the State of Vermont:

Sec. 1. 27 V.S.A. § 547 is added to read:

§ 547. REAL ESTATE INVESTORS; 90-DAY WAITING PERIOD FOR  
PURCHASE

(a) Definitions. As used in this section:

(1)(A) "Covered entity" means an institutional real estate investor or an entity that receives funding from an institutional real estate investor for the purchase of a single-family residence or two-family residence. A loan

1 provided in exchange for a mortgage of the residence that is being purchased  
2 shall not be considered funding for the purposes of this subdivision (1),  
3 provided that such mortgage shall be of a type for which members of the  
4 general public can apply.

5 (B) “Covered entity” does not include:

6 (i) an organization that is described in section 501(c)(3) of the  
7 Internal Revenue Code and exempt from tax under section 501(a) of the  
8 Internal Revenue Code;

9 (ii) a land bank;

10 (iii) a community land trust; or

11 (iv) a creditor or its loan servicer acquiring ownership of real  
12 property in full or partial satisfaction of a secured debt.

13 (2)(A) “Institutional real estate investor” means an entity or combined  
14 group that, directly or indirectly:

15 (i) owns 10 or more single-family residences or two-family  
16 residences, or both;

17 (ii) manages or receives funds pooled from investors and acts as a  
18 fiduciary with respect to one or more investors; and

19 (iii) has \$30,000,000.00 or more in net value or assets under  
20 management on any day during the taxable year.

1           (B) An entity is considered owning a single-family residence or two-  
2           family residence if it directly owns the single-family residence or two-family  
3           residence or indirectly owns 10 percent or more of the single-family residence  
4           or two-family residence.

5           (3) “Single-family residence” means a residential property consisting of  
6           one dwelling unit, provided that the term does not include:

7           (A) any single-family residence that is to be used as the principal  
8           residence of any person who has an ownership interest in the covered entity  
9           that seeks to purchase the single-family residence; or

10           (B) any single-family residence constructed, acquired, or operated  
11           with federal, state, or local appropriated funding sources.

12           (4) “Two-family residence” means a residential property consisting of  
13           two dwelling units, provided that the term does not include:

14           (A) any two-family residence in which one of the dwelling units is to  
15           be used as the principal residence of any person who has an ownership interest  
16           in the covered entity that seeks to purchase the two-family residence; or

17           (B) any two-family residence constructed, acquired, or operated with  
18           federal, state, or local appropriated funding sources.

19           (b) 90-day waiting period for covered entities.

20           (1) Notwithstanding any other provision of law to the contrary, a  
21           covered entity shall not purchase, acquire, or offer to purchase or acquire any

1 interest in a single-family residence or two-family residence, unless the single-  
2 family residence or two-family residence has been listed for sale to the general  
3 public for at least 90 days.

4 (2) The 90-day waiting period set forth in subdivision (1) of this  
5 subsection shall restart if the seller changes the asking price for the single-  
6 family residence or two-family residence, and a covered entity shall not  
7 purchase, acquire, or offer to purchase or acquire any interest in the single-  
8 family residence or two-family residence until it has been listed for sale to the  
9 general public at the new asking price for at least an additional 90 days.

10 (c) Enforcement. A violation of this section shall be deemed an unfair  
11 method of competition in violation of 9 V.S.A. § 2453 and the Attorney  
12 General may restrain prohibited acts in accordance with 9 V.S.A. chapter 63.

13 Sec. 2. 32 V.S.A. § 5811(18) is amended to read:

14 (18) “Vermont net income” means, for any taxable year and for any  
15 corporate taxpayer:

16 (A) the taxable income of the taxpayer for that taxable year under the  
17 laws of the United States, without regard to 26 U.S.C. § 168(k), and excluding  
18 income that under the laws of the United States is exempt from taxation by the  
19 states:

1 (i) increased by:

2 (I) the amount of any deduction for State and local taxes on or  
3 measured by income, franchise taxes measured by net income, franchise taxes  
4 for the privilege of doing business and capital stock taxes;

5 (II) to the extent such income is exempted from taxation under  
6 the laws of the United States by the amount received by the taxpayer on and  
7 after January 1, 1986, as interest income from state and local obligations, other  
8 than obligations of Vermont and its political subdivisions, and any dividends  
9 or other distributions from any fund to the extent such dividend or distribution  
10 is attributable to such Vermont State or local obligations; ~~and~~

11 (III) the amount of any deduction for a federal net operating  
12 loss; and

13 (IV) any amount required under section 5814 of this chapter  
14 relating to federal depreciation and interest deductions taken by certain real  
15 estate investors; and

16 \* \* \*

17 Sec. 3. 32 V.S.A. § 5811(21) is amended to read:

18 (21) "Taxable income" means, in the case of an individual, federal  
19 adjusted gross income determined without regard to 26 U.S.C. § 168(k) and:

20 (A) increased by the following items of income (to the extent such  
21 income is excluded from federal adjusted gross income):

1 (i) interest income from non-Vermont state and local obligations;

2 ~~and~~

3 (ii) dividends or other distributions from any fund to the extent  
4 they are attributable to non-Vermont state or local obligations; and

5 (iii) any amount required under section 5814 of this chapter  
6 relating to federal depreciation and interest deductions taken by certain real  
7 estate investors; and

8 \* \* \*

9 Sec. 4. 32 V.S.A. § 5814 is added to read:

10 § 5814. REAL ESTATE INVESTORS; DEPRECIATION AND INTEREST  
11 DEDUCTIONS

12 (a) Definitions. As used in this section:

13 (1)(A) “Covered entity” means an institutional real estate investor or an  
14 entity that receives funding from an institutional real estate investor for the  
15 purchase of a single-family residence or two-family residence. A loan  
16 provided in exchange for a mortgage of the residence that is being purchased  
17 shall not be considered funding for the purposes of this subdivision (1),  
18 provided that such mortgage shall be of a type for which members of the  
19 general public can apply.

1           (B) “Covered entity” does not include:

2                   (i) an organization that is described in section 501(c)(3) of the  
3           Internal Revenue Code and exempt from tax under section 501(a) of the  
4           Internal Revenue Code;

5                   (ii) a land bank;

6                   (iii) a community land trust; or

7                   (iv) a creditor or its loan servicer acquiring ownership of real  
8           property in full or partial satisfaction of a secured debt.

9           (2)(A) “Institutional real estate investor” means an entity or combined  
10          group that, directly or indirectly:

11                   (i) owns 10 or more single-family residences or two-family  
12          residences, or both;

13                   (ii) manages or receives funds pooled from investors and acts as a  
14          fiduciary with respect to one or more investors; and

15                   (iii) has \$30,000,000.00 or more in net value or assets under  
16          management on any day during the taxable year.

17           (B) An entity is considered as owning a single-family residence or  
18          two-family residence if it directly owns the single-family residence or two-  
19          family residence or indirectly owns 10 percent or more of the single-family  
20          residence or two-family residence.

1           (3) “Single-family residence” means a residential property consisting of  
2           one dwelling unit, provided that the term does not include:

3                   (A) any single-family residence that is to be used as the principal  
4                   residence of any person who has an ownership interest in the covered entity  
5                   that seeks to purchase the single-family residence; or

6                   (B) any single-family residence constructed, acquired, or operated  
7                   with federal, state, or local appropriated funding sources.

8           (4) “Two-family residence” means a residential property consisting of  
9           two dwelling units, provided that the term does not include:

10                   (A) any two-family residence in which one of the dwelling units is to  
11                   be used as the principal residence of any person who has an ownership interest  
12                   in the covered entity that seeks to purchase the two-family residence; or

13                   (B) any two-family residence constructed, acquired, or operated with  
14                   federal, state, or local appropriated funding sources.

15           (b) Depreciation and interest deduction for covered properties owned by an  
16           institutional real estate investor.

17                   (1) Notwithstanding any other provision of this chapter to the contrary,  
18                   for a corporation, combined group, or any other taxpayer subject to taxation  
19                   under section 5832 of this chapter that is an institutional real estate investor or  
20                   a partner, member, or shareholder of an entity that is an institutional real estate

1 investor, Vermont net income shall be computed with adjustments for  
2 depreciation and interest related to covered properties as follows:

3 (A) For covered properties, no deduction for depreciation allowed  
4 under the Internal Revenue Code shall be allowed.

5 (B) For covered properties, the federal interest deduction allowed  
6 under 26 U.S.C. § 163 shall not be allowed and must be added back in the  
7 computation of Vermont net income, except with respect to interest paid or  
8 accrued in the taxable year when the covered property is sold to an individual  
9 for use as the principal residence of an individual or sold to a nonprofit  
10 organization that has as its principal purpose the creation, development, or  
11 preservation of affordable housing. For purposes of this subdivision (1)(B),  
12 any amount of interest that would have been allowed under 26 U.S.C. § 163 in  
13 connection with a covered property but for an election to treat such interest as  
14 chargeable to a capital account shall be treated as an amount allowed under  
15 26 U.S.C. § 163.

16 (2) Notwithstanding any other provision of this chapter to the contrary,  
17 for a taxpayer that is an institutional real estate investor or a partner, member,  
18 or shareholder of an entity that is an institutional real estate investor, Vermont  
19 taxable income shall be computed with adjustments for depreciation and  
20 interest related to covered properties as follows:

1           (A) For covered properties, no deduction for depreciation allowed  
2           under the Internal Revenue Code shall be allowed.

3           (B) For covered properties, the federal interest deduction allowed  
4           under 26 U.S.C. § 163 shall not be allowed and must be added back in the  
5           computation of Vermont taxable income, except with respect to interest paid or  
6           accrued in the taxable year when the covered property is sold to an individual  
7           for use as the principal residence of an individual or sold to a nonprofit  
8           organization that has as its principal purpose the creation, development, or  
9           preservation of affordable housing. For purposes of this subdivision (2)(B),  
10          any amount of interest that would have been allowed under 26 U.S.C. § 163 in  
11          connection with a covered property but for an election to treat such interest as  
12          chargeable to a capital account shall be treated as an amount allowed under  
13          26 U.S.C. § 163.

14          Sec. 5. EFFECTIVE DATES

15          (a) This section shall take effect on passage.  
16          (b) Sec. 1 (90-day waiting period) shall take effect on July 1, 2026.  
17          (c) Notwithstanding 1 V.S.A. § 214, Secs. 2–4 (add back of deductions)  
18          shall take effect retroactively on January 1, 2026, and shall apply to taxable  
19          years beginning on and after January 1, 2026.