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H.949

An act relating to homestead property tax yields, the nonhomestead property tax rate, and technical changes to education finance

The Senate proposes to the House to amend the bill as follows:

First: By striking out Sec. 1, property dollar equivalent yield, income dollar equivalent yield, and nonhomestead property tax rate for fiscal year 2027, in its entirety and inserting in lieu thereof a new Sec. 1 to read as follows:

Sec. 1. PROPERTY DOLLAR EQUIVALENT YIELD, INCOME
DOLLAR EQUIVALENT YIELD, AND NONHOMESTEAD
PROPERTY TAX RATE FOR FISCAL YEAR 2027

For fiscal year 2027 only:

(1) Pursuant to 32 V.S.A. § 5402b(b), the property dollar equivalent yield shall be \$9,395.00.

(2) Pursuant to 32 V.S.A. § 5402b(b), the income dollar equivalent yield shall be \$12,942.00.

(3) Notwithstanding 32 V.S.A. § 5402(a)(1) and any other provision of law to the contrary, the nonhomestead property tax rate shall be \$1.648 per \$100.00 of equalized education property value.

Second: By striking out Sec. 2, Education Fund reserve; property tax rate offset, in its entirety and inserting in lieu thereof two new sections to be Secs. 2 and 2a to read as follows:

1 Sec. 2. 16 V.S.A. § 4001 is amended to read:

2 § 4001. DEFINITIONS

3 As used in this chapter:

4 * * *

5 (6) “Education spending” means the amount of the school district
6 budget, any assessment for a joint contract school, career technical center
7 payments made on behalf of the district under subsection 1561(b) of this title,
8 and any amount added to pay a deficit pursuant to 24 V.S.A. § 1523(b) that is
9 paid for by the school district, but excluding any portion of the school budget
10 paid for from any other sources such as endowments, parental fundraising,
11 federal funds, nongovernmental grants, or other State funds such as special
12 education funds paid under chapter 101 of this title.

13 (A) [Repealed.]

14 (B) ~~For all bonds approved by voters prior to July 1, 2024, voter-~~
15 ~~approved~~ Voter-approved bond payments toward principal and interest shall
16 not be included in “education spending” for purposes of calculating excess
17 spending pursuant to 32 V.S.A. § 5401(12).

18 * * *

19 Sec. 2a. 32 V.S.A. § 5401 is amended to read:

20 § 5401. DEFINITIONS

21 As used in this chapter:

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(12) “Excess spending” means:

(A) The per pupil spending amount of the district’s education spending, as defined in 16 V.S.A. § 4001(6), plus any amount required to be added from a capital construction reserve fund under 24 V.S.A. § 2804(b).

(B) In excess of ~~118~~ 112 percent of the statewide average district per pupil education spending increased by inflation, as determined by the Secretary of Education on or before November 15 of each year based on the passed budgets to date. As used in this subdivision (B), “increased by inflation” means increasing the statewide average district per pupil education spending for fiscal year 2025 by the most recent New England Economic Project cumulative price index, as of November 15, for state and local government purchases of goods and services, from fiscal year 2025 through the fiscal year for which the amount is being determined.

(C) A school district’s excess spending shall be zero if any of the following conditions are met:

(i) the district’s education spending is not greater than the district’s educating spending for the preceding school year;

(ii) the district’s per pupil education spending is not greater than the district’s per pupil education spending for the preceding school year; or

1 (i) subtracting the claimant's income from the very low-income
2 limit;

3 (ii) dividing the value under subdivision (i) of this subdivision
4 (1)(B) by the difference between the extremely low-income limit and the very
5 low-income limit; and

6 (iii) multiplying the value under subdivision (ii) of this
7 subdivision (1)(B) by ~~40~~ 12.5 percent of fair market rent.

8 (C) If the claimant's income is greater than the very low-income
9 limit, the claimant shall not be entitled to a renter credit.

10 (D) A claimant who is eligible for a renter credit, including pursuant
11 to this subsection (b), and who receives a rental subsidy shall be entitled to a
12 credit in the amount of ~~40~~ 12.5 percent of gross rent paid.

13 (E) A renter credit shall be prorated by the number of calendar
14 months in the taxable year during which the claimant rented the homestead,
15 except for a credit based on gross rent paid under subdivision (D) of this
16 subdivision (b)(1), and by the portion of the principal dwelling used for
17 business purposes, if the portion used for business purposes includes more than
18 25 percent of the floor space of the dwelling.

19 (2) The Commissioner shall calculate the credit under subdivision (1) of
20 this subsection (b) using the fair market rent corresponding to a number of
21 bedrooms equal to the number of personal exemptions allowed under

1 subdivision 5811(21)(C) of this title for the taxable year, provided that for
2 claimants who resided with any person who was neither the claimant's
3 dependent nor jointly filing spouse at any time during the taxable year, the
4 Commissioner shall reduce the credit by 50 percent.

5 Sec. 7. 32 V.S.A. § 6067 is amended to read:

6 § 6067. CREDIT LIMITATIONS

7 Only one individual per household per taxable year shall be entitled to a
8 property tax credit under this chapter. An individual who received a
9 homestead exemption or credit with respect to property taxes assessed by
10 another state for the taxable year shall not be entitled to receive a credit under
11 this chapter. No taxpayer shall receive a renter credit under subsection 6066(b)
12 of this title in excess of ~~\$2,500.00~~ \$3,250.00. No taxpayer shall receive a
13 property tax credit under subdivision 6066(a)(3) of this title greater than
14 \$2,400.00 or cumulative credit under subdivisions ~~6066(a)(1)-(2)~~ 6066(a)(1),
15 (2), and (4) of this title greater than \$5,600.00.

16 Sec. 8. 32 V.S.A. § 6066(b) is amended to read:

17 (b)(1) An eligible claimant who rented the homestead shall be entitled to a
18 credit for the taxable year in an amount not to exceed ~~\$3,250.00~~ \$2,500.00, to
19 be calculated as follows:

1 (A) If the claimant's income is less than or equal to the extremely
2 low-income limit, the claimant shall be entitled to a credit in the amount of
3 ~~12.5~~ 10 percent of fair market rent.

4 (B) If the claimant's income is greater than the extremely low-
5 income limit but less than or equal to the very low-income limit, the claimant
6 shall be entitled to a percentage of the credit that is proportional to the
7 claimant's income that is less than the very low-income limit, determined by:

8 (i) subtracting the claimant's income from the very low-income
9 limit;

10 (ii) dividing the value under subdivision (i) of this subdivision
11 (1)(B) by the difference between the extremely low-income limit and the very
12 low-income limit; and

13 (iii) multiplying the value under subdivision (ii) of this
14 subdivision (1)(B) by ~~12.5~~ 10 percent of fair market rent.

15 (C) If the claimant's income is greater than the very low-income
16 limit, the claimant shall not be entitled to a renter credit.

17 (D) A claimant who is eligible for a renter credit, including pursuant
18 to this subsection (b), and who receives a rental subsidy shall be entitled to a
19 credit in the amount of ~~12.5~~ 10 percent of gross rent paid.

20 (E) A renter credit shall be prorated by the number of calendar
21 months in the taxable year during which the claimant rented the homestead,

1 except for a credit based on gross rent paid under subdivision (D) of this
2 subdivision (b)(1), and by the portion of the principal dwelling used for
3 business purposes, if the portion used for business purposes includes more than
4 25 percent of the floor space of the dwelling.

5 (2) The Commissioner shall calculate the credit under subdivision (1) of
6 this subsection (b) using the fair market rent corresponding to a number of
7 bedrooms equal to the number of personal exemptions allowed under
8 subdivision 5811(21)(C) of this title for the taxable year, provided that for
9 claimants who resided with any person who was neither the claimant's
10 dependent nor jointly filing spouse at any time during the taxable year, the
11 Commissioner shall reduce the credit by 50 percent.

12 Sec. 9. 32 V.S.A. § 6067 is amended to read:

13 § 6067. CREDIT LIMITATIONS

14 Only one individual per household per taxable year shall be entitled to a
15 property tax credit under this chapter. An individual who received a
16 homestead exemption or credit with respect to property taxes assessed by
17 another state for the taxable year shall not be entitled to receive a credit under
18 this chapter. No taxpayer shall receive a renter credit under subsection 6066(b)
19 of this title in excess of ~~\$3,250.00~~ \$2,500.00. No taxpayer shall receive a
20 property tax credit under subdivision 6066(a)(3) of this title greater than

1 \$2,400.00 or cumulative credit under subdivisions 6066(a)(1), (2), and (4) of
2 this title greater than \$5,600.00.

3 Sec. 10. EFFECTIVE DATES

4 (a) This section and Secs. 1 (yields), 3 (statewide adjustment correction), 4
5 (Barre TIF overpayment refund), and 5 (census grant inflator) shall take effect
6 on July 1, 2026.

7 (b) Secs. 6 (renter credit expansion) and 7 (renter credit cap increase) shall
8 take effect on July 1, 2026, and apply to claim year 2027.

9 (c) Secs. 2 (exclusion of capital indebtedness from excess spending) and 2a
10 (excess spending threshold) shall take effect on July 1, 2027.

11 (d) Secs. 8 (renter credit narrowing) and 9 (renter credit cap reduction)
12 shall take effect on July 1, 2027, and apply to claim years 2028 and after.