

Review of the Property Tax Credit

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Outline

- Review of the property tax credit (PTC)
 - Review of the calculation
 - Review of the PTC lag
- Example PTC calculation for an income-sensitized homestead
- Review of PTC recipients



Review of the PTC



PTC Overview

- The homestead property tax has a credit based on income
- About two-thirds of Vermont households receive the PTC
- It's applied to the following tax year's bill

Household income (FY25)	PTC parameters
Less than or equal to \$47,000	<ul style="list-style-type: none">• PTC may be used on the first \$400,000 of the equalized housesite value• Additional tax relief based on household income is available
\$47,001 - \$90,000	<ul style="list-style-type: none">• PTC may be used on the first \$400,000 of the equalized housesite value
\$90,001 - \$115,000	<ul style="list-style-type: none">• PTC may be used on the first \$225,000 of the equalized housesite value
Greater than \$115,000*	<ul style="list-style-type: none">• Household does not qualify for a PTC

**Note: this amount is not set in statute, but is determined as a mathematical exercise after the yields have been set*



PTC

Interpreting the “Income Yield”

$$\text{Spending adjusted equalized income tax rate} = 2\% \times \frac{\text{per pupil education spending}}{\text{income yield}}$$

- The income yield follows the same principle as the homestead property yield
 - Like homestead property tax rates, income tax rates increase in proportion to per pupil spending
- In fiscal year 2025, the income yield was \$10,110
 - Districts spending up to \$10,110 per (weighted) pupil have a tax rate on income of 2%
 - Districts spending more than \$10,110 per (weighted) pupil have a tax rate on income higher than 2%
 - For example, in any district that spent \$15,165 per (weighted) pupil, or 150% of the income yield, the homestead income tax rate was 3.0%

$$3.0\% = 2.0\% \times \frac{\$15,165}{\$10,110}$$



PTC

Further Credits for Incomes Less Than \$47,000

- Households with income under \$47,000 are entitled to a further tax credit if their net education tax exceeds a fixed percentage of household income
- This is often referred to as the “circuit breaker”
- About 30% of homesteads eligible for income sensitivity are also eligible for a homeowner rebate
- The cost of the municipal homeowner rebate is borne by the General Fund

Net State Education Tax

Household Income	Tax Cap as % of Income
Less than \$9,999	0.5%
\$10,000 – \$24,999	1.5%
\$25,000 - \$47,000	2.0%

Municipal Property Tax

Household Income	Tax Cap as % of Income
Less than \$9,999	1.0%
\$10,000 – \$47,000	3.0%



Review of PTC Calculation

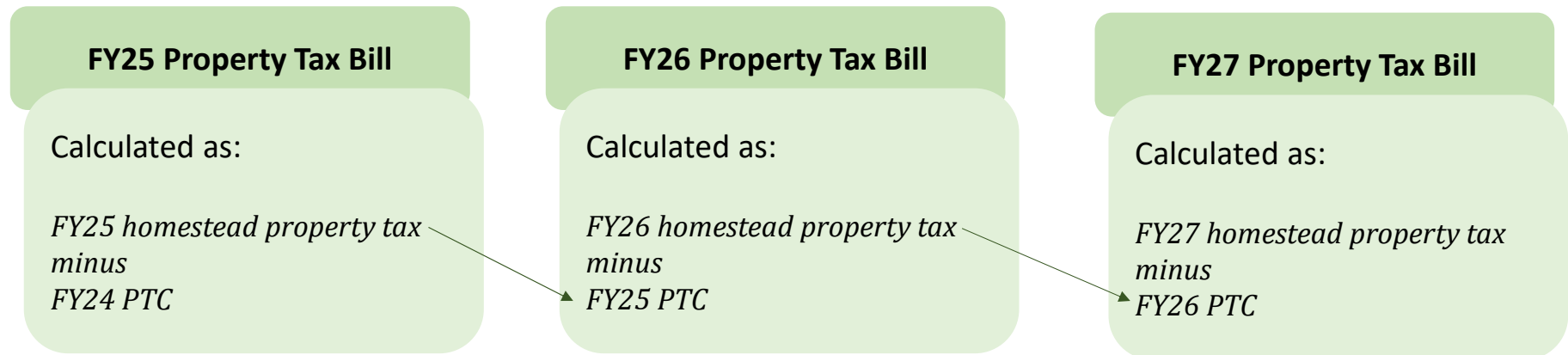
Household income	Housesite (HS) value	Calculation of amount that would be paid under income	Calculation of the PTC
			<i>The PTC is the amount paid for property taxes minus...</i>
≤ \$47,000	< \$400,000	<i>income * income rate</i>	...The lesser of:
	≥ \$400,000	$(income * income\ rate) + \left(\frac{HS\ value - \$400,000}{100}\right) * HS\ rate$	<ul style="list-style-type: none"> The amount that would be paid based on income OR <ul style="list-style-type: none"> The statewide education tax rate multiplied by the equalized value of the housesite, reduced by \$15,000, in the taxable year
\$47,001 - \$90,000	< \$400,000	<i>income * income rate</i>	...The amount that would be paid based on income
	≥ \$400,000	$(income * income\ rate) + \left(\frac{HS\ value - \$400,000}{100}\right) * HS\ rate$	
≥ \$90,000	< \$225,000	<i>income * income rate</i>	...The amount that would be paid based on income
	≥ \$225,000	$(income * income\ rate) + \left(\frac{HS\ value - \$225,000}{100}\right) * HS\ rate$	
>\$115,000*	<i>In fiscal year 2025, households above this income will not qualify for a property tax credit and will pay solely based on property value</i>		

*Note: this amount is not set in statute, but is determined as a mathematical exercise after the yields have been set



Understanding the PTC Lag

- The PTC is on a “lag”
- Property tax bills for income-sensitized taxpayers reflect the current tax year’s homestead property tax minus the prior year’s PTC



Example Calculation for an Income-Sensitized Homestead



Example Calculation for an Income-Sensitized Homestead in Fiscal Year 2026

- In this example, let's assume a household with an:
 - Equalized housesite value of \$350,000
 - Income of \$80,000
- Let's assume this household lives in a district with the following:

	FY26 (Example)*
Equalized HS rate	\$1.677
Town CLA (which includes SACLA)	0.9
Actual HS rate	\$1.863
Income rate	2.38%

**These figures are used solely for the purpose of example and should not be interpreted as policy guidance or predictions. They correspond with average rates included in the December 1 Letter.*



Example Calculation of the Fiscal Year 2026 PTC as Applied to the Fiscal Year 2027 Property Tax Bill

- Using these parameters:

	FY26 (Example)
HS value	\$350,000
Income	\$80,000
Actual HS rate	\$1.863
Income rate	2.38%

- Calculate the fiscal year 2026 property tax credit by calculating what the household would pay on property and on income

	FY26 (Example)
1 Homestead property tax	\$6,520
2 Income property tax	\$1,904
3 PTC (<i>Line 1- Line 2</i>)	\$4,616



Example Calculation of the Fiscal Year 2025 PTC as Applied to the Fiscal Year 2026 Property Tax Bill

- As seen on the previous slide, this household would receive a PTC of \$4,616 for its fiscal year 2026 liability
 - However, because of the lag, the household would receive this PTC on its fiscal year 2027 property tax bill
- To calculate the PTC for the fiscal year 2026 property tax bill, we must calculate the PTC from fiscal year 2025
 - In this example, assume all is equal *except* the household saw an increase of 6% on its homestead property tax and income property tax from fiscal year 2025 to fiscal year 2026

FY25 (Example)	
1	Homestead property tax \$6,151
2	Income property tax \$1,796
3	PTC (Line 1- Line 2) \$4,325



Example Comparison of PTCs

- In this example, the household has a different PTC calculated for fiscal year 2025 than fiscal year 2026

	FY25 (Example)	FY26 (Example)
1 Homestead property tax	\$6,151	\$6,520
2 Income property tax	\$1,796	\$1,904
3 PTC	\$4,325	\$4,616

- Because of the lag, the household's fiscal year 2026 property tax bill is calculated using the fiscal year 2025 PTC, not the fiscal year 2026 PTC



Considerations of the PTC Lag

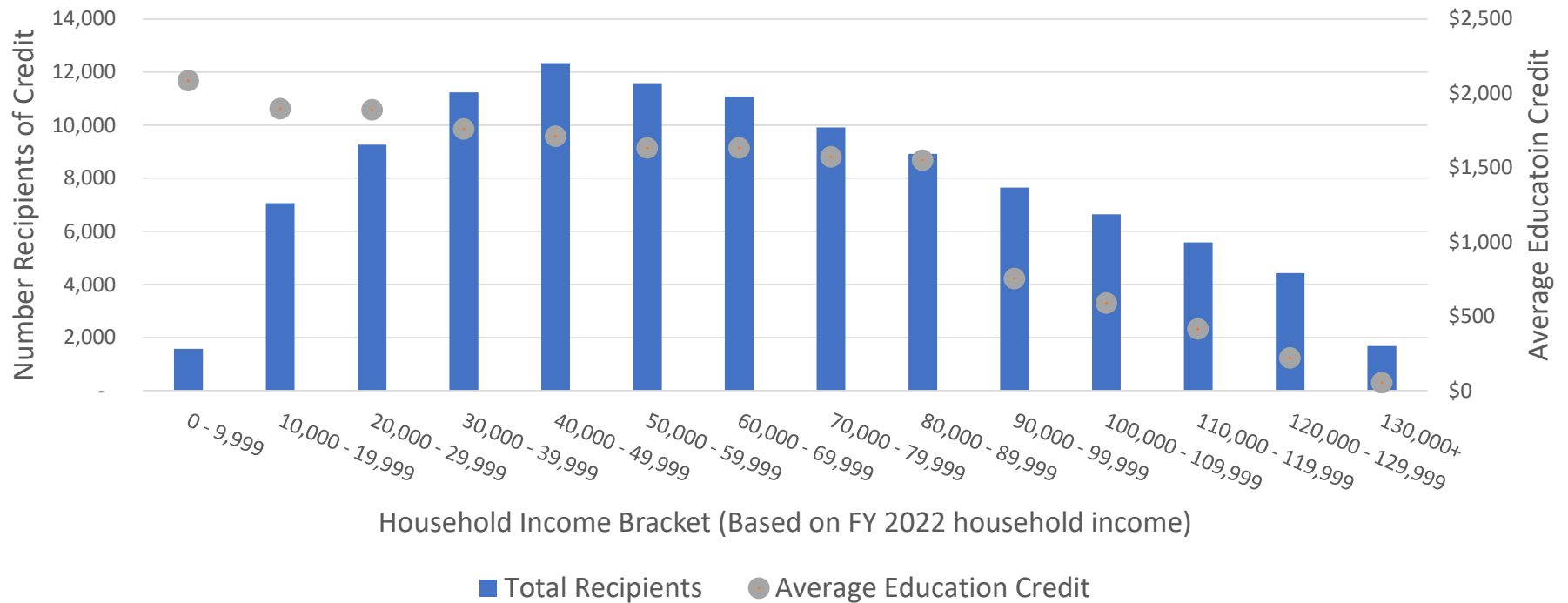
- Because of the lag, PTCs on tax bills do not correspond to tax changes in the same fiscal year
 - This is true every year
 - The smaller the year-to-year changes, the smaller the impact
 - For example, if tax rates change significantly, the property substantially changes in value, or a household's income situation changes, the household will not receive the PTC that reflects those changes until the following year
- Because the PTC is on a lag, changes to the income yield in fiscal year 2026 will not impact property taxpayers until fiscal year 2027
 - Increasing the fiscal year 2026 income yield (and PTCs) will increase costs to the Education Fund in fiscal year 2027



Review of PTC Recipients



2023-2024 Education Property Tax Credit Recipients by Household Income and Average Credit



Note: chart summarizes credit amounts applied to 2023-2024 (FY24) property tax bills based on 2022-2023 (FY23) property taxes paid and 2022 household income

Data published by the Vermont Department of Taxes, [Link](#); Analysis by JFO



PTC Recipients by Income Bracket

2023-2024 Total Property Tax Credits

Household Income Bracket	Total Recipients	Average Housesite Value	Average Housesite Education Tax	Average Housesite Municipal Tax	Total Education Credit	Average Education Credit	Total Municipal Credit	Municipal Credit Recipient Count	Average Municipal Credit	Total Credits	Average Credit
State of Vermont											
0 - 9,999	1,577	147,112	2,201	1,070	3,288,798	2,085	1,457,372	1,541	946	4,746,170	3,010
10,000 - 19,999	7,060	144,694	2,180	1,070	13,381,525	1,895	4,300,726	5,789	743	17,682,251	2,505
20,000 - 29,999	9,260	158,497	2,377	1,192	17,490,648	1,889	4,661,585	6,377	731	22,152,233	2,392
30,000 - 39,999	11,231	167,554	2,503	1,247	19,754,045	1,759	4,035,416	5,985	674	23,789,461	2,118
40,000 - 49,999	12,340	180,010	2,692	1,318	21,112,647	1,711	2,310,113	3,571	647	23,422,760	1,898
50,000 - 59,999	11,585	199,615	2,981	1,441	18,913,798	1,633	-	-	-	18,913,798	1,633
60,000 - 69,999	11,075	215,941	3,226	1,522	18,067,545	1,631	-	-	-	18,067,545	1,631
70,000 - 79,999	9,911	229,748	3,430	1,593	15,592,097	1,573	-	-	-	15,592,097	1,573
80,000 - 89,999	8,912	245,063	3,660	1,645	13,818,452	1,551	-	-	-	13,818,452	1,551
90,000 - 99,999	7,650	256,054	3,841	1,703	5,762,833	753	-	-	-	5,762,833	753
100,000 - 109,999	6,639	268,875	4,041	1,754	3,916,415	590	-	-	-	3,916,415	590
110,000 - 119,999	5,582	284,770	4,264	1,821	2,318,466	415	-	-	-	2,318,466	415
120,000 - 129,999	4,428	301,829	4,559	1,896	974,721	220	-	-	-	974,721	220
130,000+	1,685	316,637	4,820	1,946	88,747	53	-	-	-	88,747	53
Grand Total	108,935	212,906	3,189	1,479	154,480,737	1,418	16,765,212	23,263	721	171,245,949	1,572

Table summarizes credit amounts applied to 2023-2024 (FY24) property tax bills based on 2022-2023 (FY23) property taxes paid and 2022 household income

Table published by the Vermont Department of Taxes: [Link](#)



Questions?



Resources

- Department of Taxes – Property Tax Credit:
 - <https://tax.vermont.gov/property/property-tax-credit>
- Department of Taxes – Frequently Asked Questions:
 - <https://tax.vermont.gov/property/education-property-tax-rates/faqs>
- JFO Education Finance:
 - <https://ljfo.vermont.gov/subjects/education>

