H.949 (Yield Bill)

Context and Recommendations from the Tax Department

- **Context on what the Senate changed regarding the Renter Credit in Sec. 6**
- **Context and recommendation regarding the changes to the excess spending threshold in Sec. 2 and Sec. 2a**
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VERMONT
DEPARTMENT OF TAXES

Context on what the Senate changed regarding the Renter Credit in Sec. 6

- For one year only (CY26 credits going out in FY27) renters will get a credit for 12.5% of the fair market rent paid instead of 10% (so a 25% bump). This will cost the General Fund around ~$4M

Example: 2 people are renting an apartment in Rutland county in 2026. In early 2027 they would have gotten a credit for 10% of the HUD Rutland county fair market rent (annualized) for a two-bedroom apartment but now they will instead get a credit for 12.5%. Depending on their income, this would be around $400 more in credit

- For one year only, the maximum credit will be $3,250 instead of $2,500

Context and recommendation regarding the changes to the excess spending threshold in Sec. 2 and Sec. 2a

- The proposal increases statewide property tax pressure to pay for recent school construction bonding from high-spending districts without regard to whether the construction is strategic

- (C)(i) and (ii) presents an unprecedented "off ramp" from state funding based on pupil counts which is an essential element of both Act 60 & Act 73's foundation formula. These sections would also exempt any districts who were subject to the EST in FY27 if they can keep their overall ed. spending or per-pupil spending level (a weird loophole)

- (C)(iii) The potential appeal to the Sectary will limit the behavioral impact of the lower threshold and reduce the accuracy of the yield-setting process leading to ed. fund variances and unpredictability

Recommendation: Set the excess spending threshold at an appropriate level and strike all of (C)

An important flag and recommendation for the committee on the 2026 household income limit for property tax credits

Year	Income Limit ($)	PTC%	Explanation
2018	136,500	~66%	The income limit for PTC eligibility is not in statute, it's a number calculated by Tax and JFO where it becomes mathematically impossible for taxes based on property to exceed taxes based on income. The limit of $225,000 in equalized housesite value (for housedholds over $90K) is a key input to the calculation The limit has been decreasing over the past 7 years because property values have been growing faster than income. For that reason, a smaller share of homesteads has been getting a credit each year
2019	138,250		
2020	138,500		
2021	136,900		
2022	134,800		
2023	128,000		
2024	115,000	~50%	
2025	115,400		Introduction of statewide adjustment changes yield calculation
2026	109,000 H949	<50%	The income limit would go down to 109,000 based on the yields in H949
2026	***121,000 Recommendation***	***~55%***	***Tax recommends the housesite limit be increased to $250,000 of equalized value for households over $90,000 of income***

This proposal would increase property tax credits in FY28 by about $6M compared to what they otherwise would have been. Also, it would help the transition to the homestead exemption by “shrinking the cliff” at $90,000 in the current system