

# Homestead Exemption

House Committee on Ways and Means  
Julia Richter, Senior Fiscal Analyst, Joint Fiscal Office  
March 26, 2025



**JFO**

1 Baldwin Street • Montpelier, VT 05633-5701 • (802) 828-2295 • <https://jfo.vermont.gov>

The Joint Fiscal Office (JFO) is a nonpartisan legislative office dedicated to producing unbiased fiscal analysis – this presentation is meant to provide information for legislative consideration, not to provide policy recommendations



# Outline

- Review of income sensitivity, homestead exemption, and modeling assumptions
- Administration's Proposal for a Homestead Exemption
- The Homestead Exemption Included in the Education Finance Proposal, Draft 1.1 presented in the House Committee on Ways and Means



# Review of Income Sensitivity, Homestead Exemption, and Modeling Assumptions



# Review of the Property Tax Credit Under Current Law

- The homestead property tax has a credit based on income
  - If a household were to pay less on income tax than it would on property tax, the difference is credited in the following year
- About two-thirds of Vermont households receive a property tax credit

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

*\*Note: the figure of \$115,000 is not included in statute and is calculated annually*



# Homestead Exemption

- Income-sensitized exemption of a certain portion of a household's property value from the homestead property tax
  - Decreases overall tax liability by decreasing the property value that the tax rate is applied to



# Modeling Assumptions

- Modeling is complex and necessitates multiple assumptions regarding mechanics and levers at play, including:
  - Including only those filers who qualified for a property tax credit (PTC) in fiscal year 2025;
  - Disregarding the PTC lag and assuming the PTC earned in fiscal year 2025 also applies to fiscal year 2025 bills;
  - Projecting 2024 income based on consensus growth equations; and
  - Assuming all else is held equal
- Modeling presented here follows the same assumptions
  - Estimates are preliminary



# Modeling Filer Groups

- This analysis examines households with an estimated income under \$115,000 for the purposes of calculating the fiscal year 2025 property tax credit
- Households that do not qualify for a property tax credit may not submit their household income
- **This means the data for household income groups greater than \$115,000 is incomplete and has not been included in this analysis.**

*Estimated number of housesites with a household income under \$115,000 in fiscal year 2025 under current law*

Household Income Group	Equalized Housesite Value Group					Grand Total
	\$0 to \$100,000	\$100,000 to \$225,000	\$225,000 to \$300,000	\$300,000 to \$400,000	Over \$400,000	
\$0 to \$25,000	2,100	5,300	1,900	1,200	700	11,200
\$25,000 to \$47,000	2,700	9,900	4,500	3,000	1,700	21,800
\$47,000 to \$50,000	300	1,500	800	600	300	3,500
\$50,000 to \$60,000	900	5,000	2,900	2,000	1,100	11,900
\$60,000 to \$70,000	700	4,700	2,900	2,300	1,300	11,800
\$70,000 to \$80,000	500	4,100	2,800	2,300	1,500	11,300
\$80,000 to \$90,000	400	3,400	2,700	2,400	1,700	10,500
\$90,000 to \$100,000	300	3,000	2,500	2,300	1,700	9,800
\$100,000 to \$110,000	300	2,400	2,300	2,300	1,700	9,000
\$110,000 to 115,000	100	1,100	1,100	1,100	900	4,200
<b>Grand Total</b>	<b>8,200</b>	<b>40,400</b>	<b>24,300</b>	<b>19,400</b>	<b>12,700</b>	<b>105,000</b>

*Notes: 1) groupings of equalized housesite value are chosen to be consistent with modeling from the Department of Taxes. Please note that the baskets are not the same size. 2) numbers of households have been rounded to the nearest 100.*





# Modeling Filer Groups' Average Net Education Property Tax

- Average net education property tax changes across household income group and housesite value group under current law

*Estimated average net education property tax of housesites with a household income under \$115,000 in fiscal year 2025 under current law*

Household Income Group	Equalized Housesite Value Group				
	\$0 to \$100,000	\$100,000 to \$225,000	\$225,000 to \$300,000	\$300,000 to \$400,000	Over \$400,000
\$0 to \$25,000	\$170	\$240	\$240	\$250	\$2,150
\$25,000 to \$47,000	\$470	\$730	\$740	\$740	\$2,290
\$47,000 to \$50,000	\$750	\$1,200	\$1,230	\$1,260	\$2,780
\$50,000 to \$60,000	\$770	\$1,360	\$1,410	\$1,430	\$2,890
\$60,000 to \$70,000	\$800	\$1,580	\$1,650	\$1,680	\$3,280
\$70,000 to \$80,000	\$800	\$1,790	\$1,900	\$1,930	\$3,540
\$80,000 to \$90,000	\$830	\$1,970	\$2,150	\$2,190	\$3,920
\$90,000 to \$100,000	\$840	\$2,100	\$2,880	\$4,020	\$6,490
\$100,000 to \$110,000	\$840	\$2,190	\$3,130	\$4,270	\$6,620
\$110,000 to 115,000	\$910	\$2,280	\$3,320	\$4,450	\$6,790

*Notes: 1) groupings of equalized housesite value are chosen to be consistent with modeling from the Department of Taxes. Please note that the baskets are not the same size. 2) average liabilities have been rounded to the nearest 10. 3.) this analysis only examines the households with an estimated household income under \$115,000 for the purposes of calculating the fiscal year 2025 property tax credit.*



# Administration's Proposal for a Homestead Exemption



# Administration's Homestead Exemption Proposal

- The Department of Taxes recommended the education part of the income-based credit system be reconfigured as a homestead exemption tiered based on income, effective July 1, 2027

Administration's Proposed Framework\*

Household Income	Exemption	Maximum Exemption
Up to \$47,000	60% with an additional 10% for seniors	\$200,000
\$47,000 to \$90,000	50%	\$200,000
\$90,000 to \$125,000	10%	\$50,000
Over \$125,000	Not eligible	Not eligible

\*Note: this table is copied from the Department of Taxes' slides titled "Property Tax Credit Proposal" from January 29, 2025:

<https://legislature.vermont.gov/Documents/2026/Workgroups/House%20Ways%20and%20Means/Tax%20Department/Property%20Tax%20Credit/W~Jake%20Feldman~Property%20Tax%20Credit%20Proposal~1-29-2025.pdf>

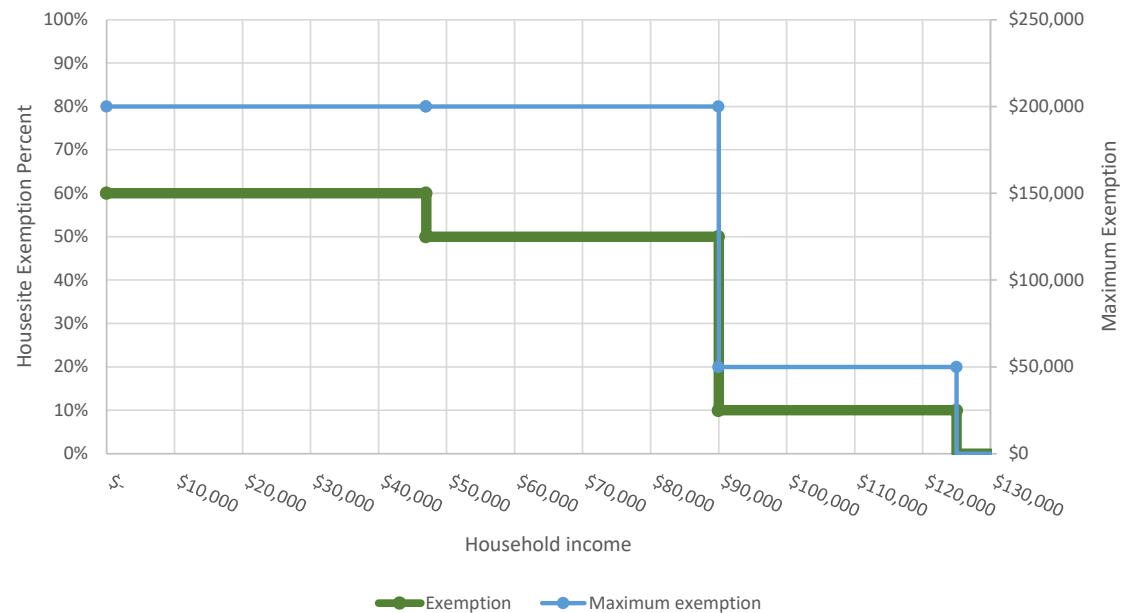


# Structure of Administration's Homestead Exemption Proposal

## Administration's Proposed Framework\*

Household Income	Exemption	Maximum Exemption
Up to \$47,000	60% with an additional 10% for seniors	\$200,000
\$47,000 to \$90,000	50%	\$200,000
\$90,000 to \$125,000	10%	\$50,000
Over \$125,000	Not eligible	Not eligible

Structure of Administration's Proposed Homestead Exemption



\*Note: this table is copied from the Department of Taxes' slides titled "Property Tax Credit Proposal" from January 29, 2025:

<https://legislature.vermont.gov/Documents/2026/Workgroups/House%20Ways%20and%20Means/Tax%20Department/Property%20Tax%20Credit/W~Jake%20Feldman~Property%20Tax%20Credit%20Proposal~1-29-2025.pdf>



# Average Impact of the Administration's Proposal by Income and Property Value

- Under the Administration's homestead exemption proposal:
  - Lower income households are estimated to see an average increase to property tax bills,
  - Households between \$90,000 and \$115,000 are estimated to see an average decrease to property tax bills, and
  - Households with incomes greater than \$115,000 are estimated to see no change in property tax bills.

Average Impact of the Administration's Proposal by Income and Property Value\*

Inc↓ Prop→	0 to 100K	100K to 225K	225K to 300K	300K to 400K	Over 400K	Total
\$0 to \$10K	\$ 100	\$ 700	\$ 1,200	\$ 1,700	\$ 1,900	\$ 800
\$10K to \$25K	\$ -	\$ 400	\$ 900	\$ 1,400	\$ 1,600	\$ 600
\$25K to \$47K	\$ (300)	\$ -	\$ 400	\$ 900	\$ 1,200	\$ 200
\$47K to \$90K	\$ (400)	\$ (500)	\$ (100)	\$ 400	\$ 400	\$ (100)
\$90K to \$115K	\$ (100)	\$ (200)	\$ -	\$ (100)	\$ (300)	\$ (100)
Total	\$ (200)	\$ (200)	\$ 100	\$ 400	\$ 300	\$ -



\*Note: This table is copied from the Tax Department's slides titled "Property Tax Credit Proposal: Additional Details and Preliminary Tax Impacts" from February 4, 2025:

<https://legislature.vermont.gov/Documents/2026/Workgroups/House%20Ways%20and%20Means/Tax%20Department/Property%20Tax%20Credit/W~Jake%20Feldman~Property%20Tax%20Credit%20Proposal~1-29-2025.pdf>



JFO

# The Homestead Exemption Included in the Education Finance Proposal, Draft 1.1



# Homestead Exemption Included in Draft 1.1

- Changes parameters of the homestead exemption from the Administration's proposal
  - Maintains the general structure of the Administration's proposal, and changes the bounds of household income groups and the housesite exemption percentages
  - Unlike the Administration's proposal it neither includes a maximum exemption nor a senior specific exemption
- Estimated to cost approximately \$45 million more than current law
  - Because of the iterative nature of modeling changes to the PTC, this \$45 million is estimated to be raised by an income stream *other* than the homestead property tax



# Homestead Exemption Included in Draft 1.1

- The homestead exemption included in the bill steps down the amount eligible for exemption as household income increases

Homestead Exemption Included In Draft 1.1

Household Income Group	Housesite exemption
\$0 to \$25,000	95%
\$25,000 to \$47,000	90%
\$47,000 to \$50,000	80%
\$50,000 to \$60,000	70%
\$60,000 to \$70,000	60%
\$70,000 to \$80,000	50%
\$80,000 to \$90,000	40%
\$90,000 to \$100,000	30%
\$100,000 to \$110,000	20%
\$110,000 to 115,000	10%
Over \$115,000	0%

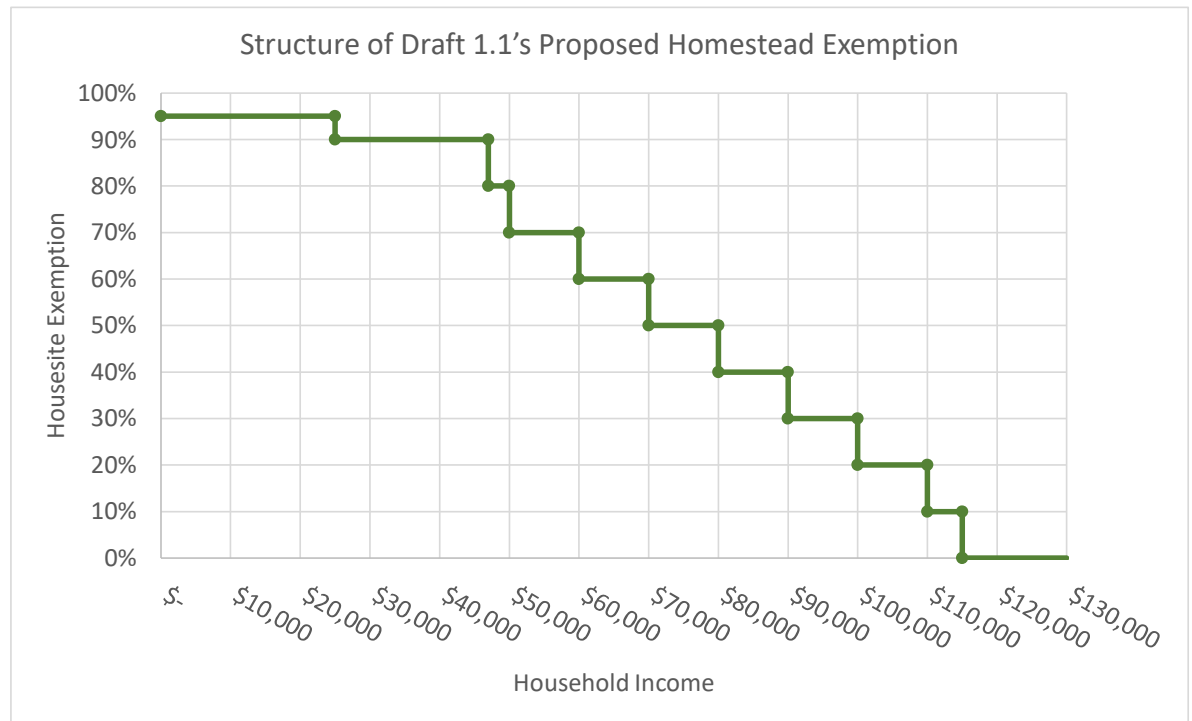




# Structure of Homestead Exemption Included in Draft 1.1

Homestead Exemption Included In Draft 1.1

Household Income Group	Housesite exemption
\$0 to \$25,000	95%
\$25,000 to \$47,000	90%
\$47,000 to \$50,000	80%
\$50,000 to \$60,000	70%
\$60,000 to \$70,000	60%
\$70,000 to \$80,000	50%
\$80,000 to \$90,000	40%
\$90,000 to \$100,000	30%
\$100,000 to \$110,000	20%
\$110,000 to \$115,000	10%
Over \$115,000	0%



# Average Impact of the Bill's Proposal by Income and Property Value

- Under Draft 1.1:
  - Lower income households are estimated to see an average decrease to property tax bills
  - Households between \$50,000 and \$90,000 with a housesite value between \$300,000 and \$400,000 are estimated to see an average decrease to property tax bills
- For these estimated impacts, the additional \$45 million cost of the exemption would need to be raised somewhere other than the homestead property tax

Average Impact of Draft 1.1's Homestead Exemption Proposal by Income and Property Value

Household Income Group	Equalized Housesite Value Group					Grand Total
	\$0 to \$100,000	\$100,000 to \$225,000	\$225,000 to \$300,000	\$300,000 to \$400,000	Over \$400,000	
\$0 to \$25,000	\$ (130)	\$ (140)	\$ (70)	\$ (20)	\$ (1,780)	\$ (220)
\$25,000 to \$47,000	\$ (390)	\$ (520)	\$ (400)	\$ (290)	\$ (1,590)	\$ (530)
\$47,000 to \$50,000	\$ (600)	\$ (760)	\$ (560)	\$ (350)	\$ (1,400)	\$ (690)
\$50,000 to \$60,000	\$ (540)	\$ (710)	\$ (390)	\$ (70)	\$ (840)	\$ (520)
\$60,000 to \$70,000	\$ (480)	\$ (700)	\$ (300)	\$ 130	\$ (500)	\$ (410)
\$70,000 to \$80,000	\$ (400)	\$ (680)	\$ (210)	\$ 340	\$ (60)	\$ (260)
\$80,000 to \$90,000	\$ (330)	\$ (630)	\$ (120)	\$ 530	\$ 320	\$ (70)
\$90,000 to \$100,000	\$ (250)	\$ (540)	\$ (500)	\$ (830)	\$ (1,560)	\$ (770)
\$100,000 to \$110,000	\$ (160)	\$ (400)	\$ (410)	\$ (640)	\$ (1,080)	\$ (590)
\$110,000 to \$115,000	\$ (80)	\$ (210)	\$ (260)	\$ (370)	\$ (600)	\$ (340)
<b>Grand Total</b>	<b>\$ (330)</b>	<b>\$ (480)</b>	<b>\$ (260)</b>	<b>\$ (100)</b>	<b>\$ (530)</b>	<b>\$ (350)</b>

Note: average liability changes have been rounded to the nearest 10.



# Questions?



# Resources

- Act 183 (2024) Property Tax Credit Asset Declaration Report – Department of Taxes
  - <https://legislature.vermont.gov/Documents/2026/Workgroups/House%20Ways%20and%20Means/Reports%20and%20Resources/W~Department%20of%20Taxes~%20Act%20183%20of%202024%20-%20Property%20Tax%20Credit%20Asset%20Declaration~12-15-2024.pdf>
- Education Finance Proposal Bill, Draft 1.1 – Agency of Education:
  - <https://legislature.vermont.gov/Documents/2026/Workgroups/House%20Ways%20and%20Means/Bills/DR%20HWM%20Education%20Finance/W~Jon%20Gray~House%20Ways%20and%20Means%20Education%20Finance%20Proposal,%20Draft%201.1~3-25-2025.pdf>

