H.949 (Yield Bill)

Tax Department Feedback on Senate Proposal of Amendment

- **Context on the temporary changes the Senate made to the Renter Credit in Sec. 6**
- **Feedback regarding the changes to the excess spending penalty in Sec. 2 and Sec. 2a**

Jake Feldman, Senior Fiscal Analyst

May 20, 2026

VERMONT
DEPARTMENT OF TAXES

Context on the temporary changes the Senate made to the Renter Credit in Sec. 6

- For FY27 only, renters will get a credit for 12.5% of the fair market rent of the county they lived in in 2026 instead of 10% (so an increase of 25%). The maximum credit will also go from $2,500 to $3,250 for one year

- This change is straightforward for the Dept. of Taxes to administer and is expected to cost the General Fund $4M more in FY27 (reducing the one-time transfer available to the Education Fund)

Feedback regarding the changes to the excess spending penalty in Sec. 2 and Sec. 2a

- By allowing all bond payments to be excluded from the excess spending threshold, Sec. 2 (6)(B) increases property tax pressure on low and moderate spending districts to pay for the recent construction projects of the highest spending districts.

- Section 2 (C)(i) and (ii) would exempt from the excess spending penalty any district that can keep its overall education spending **or** per-pupil spending flat year-over-year, a provision which could push millions of dollars of property tax pressure onto homesteads in low and moderate spending districts. This new calculation detail could have unintended behavioral consequences and will make modeling for the December 1st letter and "Yield bill" less accurate.

- The proposed appeal to the Secretary in (C)(iii) will limit the potential cost-saving impact of the lower threshold and further reduce the accuracy of the yield-setting process, leading to education fund variances and unpredictability. It will also make it *even harder* for districts to tell voters what their tax rates will be and could cause delays in when towns get their final property tax rates from the Dept. of Taxes.