

Report of Committee of Conference

H.949

TO THE SENATE AND HOUSE OF REPRESENTATIVES:

The Committee of Conference, to which were referred the disagreeing votes of the two Houses upon House Bill, entitled:

H.949. An act relating to homestead property tax yields, the nonhomestead property tax rate, and technical changes to education finance.

Respectfully reports that it has met and considered the same and recommends that the Senate recede from its proposal of amendment and that the bill be amended as follows:

First: By striking out Secs. 1, property dollar equivalent yield, income dollar equivalent yield, and nonhomestead property tax rate for fiscal year 2027, and 2, Education Fund reserve; property tax rate offset, in their entireties and inserting in lieu thereof two reader assistance headings and two new Secs. 1 and 2 to read as follows:

\* \* \* Yields \* \* \*

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 \$9,401.00.

(2) Pursuant to 32 V.S.A. § 5402b(b), the income dollar equivalent yield shall be \$12,960.00.

(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 \$1.643 per \$100.00 of equalized education property value.

\* \* \* Excess Spending Exemption \* \* \*

Sec. 2. 16 V.S.A. § 4001(6) is amended to read:

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

(A) [Repealed.]

(B) For all bonds approved by voters prior to July 1, ~~2024~~ 2026, voter-approved bond payments toward principal and interest shall not be

included in “education spending” for purposes of calculating excess spending pursuant to 32 V.S.A. § 5401(12).

Second: By striking out Sec. 6, effective date, in its entirety and inserting in lieu thereof seven reader assistance headings and 11 new sections to be Secs. 6–16 to read as follows:

\* \* \* Excess Spending Penalty Transition Fiscal Years 2028–2031 \* \* \*

Sec. 6. 32 V.S.A. § 5401 is amended to read:

§ 5401. DEFINITIONS

As used in this chapter:

\* \* \*

(12) “Excess spending” means:

~~(A) The~~ 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), that exceeds the excess spending threshold, as determined by the Secretary of Education on or before November 15 of each year based on the passed budgets to date.

~~(B) In excess of 118 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, “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.~~

\* \* \*

(18) “Excess spending base” means the statewide average district per pupil education spending for fiscal year 2025, as adjusted for inflation. The excess spending base shall be adjusted for inflation by adjusting the excess spending base by the change in the National Income and Product Accounts (NIPA) implicit price deflator for state and local government consumption expenditures published by the U.S. Department of Commerce, Bureau of Economic Analysis, as of November 15, from fiscal year 2025 through the fiscal year for which the amount is being determined, and rounding upward to the nearest whole dollar amount.

(19) “Excess spending threshold” means 112.5 percent of the excess spending base.

#### Sec. 7. EXCESS SPENDING PENALTY; TRANSITION

Notwithstanding 32 V.S.A. § 5401(19), beginning in fiscal year 2028, the excess spending threshold shall annually decrease by one percentage point

according to the following schedule until reaching the statutory excess  
spending threshold in fiscal year 2031:

- (1) in fiscal year 2028, 115.5 percent of the excess spending base;
- (2) in fiscal year 2029, 114.5 percent of the excess spending base;
- (3) in fiscal year 2030, 113.5 percent of the excess spending base; and
- (4) in fiscal year 2031, 112.5 percent of the excess spending base.

\* \* \* Renter Credit Expansion Claim Year 2027 \* \* \*

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

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

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

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

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

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

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

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

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

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

(2) The Commissioner shall calculate the credit under subdivision (1) of this subsection (b) using the fair market rent corresponding to a number of bedrooms equal to the number of personal exemptions allowed under subdivision 5811(21)(C) of this title for the taxable year, provided that for claimants who resided with any person who was neither the claimant's

dependent nor jointly filing spouse at any time during the taxable year, the Commissioner shall reduce the credit by 50 percent.

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

§ 6067. CREDIT LIMITATIONS

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

\* \* \* Circuit Breaker Expansion Fiscal Year 2028 \* \* \*

Sec. 10. 32 V.S.A. § 6066 is amended to read:

§ 6066. COMPUTATION OF PROPERTY TAX CREDIT AND RENTER  
CREDIT

(a) An eligible claimant who owned the homestead on April 1 of the year in which the claim is filed shall be entitled to a credit for the prior year's homestead property tax liability amount determined as follows:

(1)(A) For a claimant with household income of \$90,000.00 or more:

\* \* \*

(B) For a claimant with household income of less than \$90,000.00 but more than ~~\$47,000.00~~ \$50,000.00, the statewide education tax rate, multiplied by the equalized value of the housesite in the taxable year, minus (if less) the sum of:

\* \* \*

(C) For a claimant whose household income does not exceed ~~\$47,000.00~~ \$50,000.00, the statewide education tax rate, multiplied by the equalized value of the housesite in the taxable year, minus the lesser of:

\* \* \*

(3) A claimant whose household income does not exceed ~~\$47,000.00~~ \$50,000.00 shall also be entitled to an additional credit amount from the claimant's municipal taxes for the upcoming fiscal year that is equal to the amount by which the municipal property taxes for the municipal fiscal year that began in the taxable year upon the claimant's housesite exceeds a percentage of the claimant's household income for the taxable year as follows:

If household income (rounded to the nearest dollar) is: then the taxpayer is entitled to credit for the reduced property tax in excess of this percent of that income:

\$0.00 – 9,999.00	1.50
\$10,000.00 – <del>47,000.00</del> <u>50,000.00</u>	3.00

(4) A claimant whose household income does not exceed ~~\$47,000.00~~ \$50,000.00 shall also be entitled to an additional credit amount from the claimant's statewide education tax for the upcoming fiscal year that is equal to the amount by which the education property tax for the municipal fiscal year that began in the taxable year upon the claimant's housesite, reduced by the credit amount determined under subdivisions (1) and (2) of this subsection, exceeds a percentage of the claimant's household income for the taxable year as follows:

If household income (rounded to the nearest dollar) is: then the taxpayer is entitled to credit for the reduced property tax in excess of this percent of that income:

\$0.00 – 9,999.00	0.5
\$10,000.00 – 24,999.00	1.5
\$25,000.00 – <del>47,000.00</del> <u>50,000.00</u>	2.0

\* \* \*

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

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

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

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

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

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

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

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

(E) A renter credit shall be prorated by the number of calendar months in the taxable year during which the claimant rented the homestead, except for a credit based on gross rent paid under subdivision (D) of this subdivision (b)(1), and by the portion of the principal dwelling used for

business purposes, if the portion used for business purposes includes more than 25 percent of the floor space of the dwelling.

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

\* \* \*

Sec. 11. 32 V.S.A. § 6067 is amended to read:

§ 6067. CREDIT LIMITATIONS

Only one individual per household per taxable year shall be entitled to a property tax credit under this chapter. An individual who received a homestead exemption or credit with respect to property taxes assessed by another state for the taxable year shall not be entitled to receive a credit under this chapter. No taxpayer shall receive a renter credit under subsection 6066(b) of this title in excess of ~~\$3,250.00~~ \$2,500.00. No taxpayer shall receive a property tax credit under subdivision 6066(a)(3) of this title greater than ~~\$2,400.00~~ \$2,600.00 or cumulative credit under subdivisions 6066(a)(1)–(2) and (4) of this title greater than ~~\$5,600.00~~ \$6,000.00.

\* \* \* Conforming Changes for Foundation Formula Fiscal Year 2030 \* \* \*

Sec. 12. 32 V.S.A. § 5401 is amended to read:

§ 5401. DEFINITIONS

As used in this chapter:

\* \* \*

(18) ~~“Excess spending base” means the statewide average district per pupil education spending for fiscal year 2025, as adjusted for inflation. The excess spending base shall be adjusted for inflation by adjusting the excess spending base by the change in the National Income and Product Accounts (NIPA) implicit price deflator for state and local government consumption expenditures published by the U.S. Department of Commerce, Bureau of Economic Analysis, as of November 15, from fiscal year 2025 through the fiscal year for which the amount is being determined, and rounding upward to the nearest whole dollar amount. [Repealed.]~~

(19) ~~“Excess spending threshold” means 112.5 percent of the excess spending base. [Repealed.]~~

Sec. 13. 32 V.S.A. § 6066 is amended to read:

§ 6066. COMPUTATION OF HOMESTEAD PROPERTY TAX

EXEMPTION, MUNICIPAL PROPERTY TAX CREDIT, AND

RENTER CREDIT

(a)(1) An eligible claimant who owned the homestead on April 1 of the claim year and whose household income does not exceed \$115,000.00 shall be entitled to a homestead property tax exemption in the claim year in an amount determined as follows:

\* \* \*

(2) An eligible claimant who owned the homestead on April 1 of the claim year and whose household income does not exceed ~~\$47,000.00~~ \$50,000.00 shall also be entitled to a credit amount against the claimant’s municipal taxes for the upcoming fiscal year that is equal to the amount by which the municipal property taxes for the municipal fiscal year that began in the taxable year upon the claimant’s housesite exceeds a percentage of the claimant’s household income for the taxable year as follows:

If household income (rounded to the nearest dollar) is: then the taxpayer is entitled to credit for the reduced property tax in excess of this percent of that income:

\$0.00 – 9,999.00	1.50
\$25,000.00 – <del>47,000.00</del> <u>50,000.00</u>	3.00

\* \* \*

Sec. 14. 32 V.S.A. § 6067(c) is amended to read:

(c) Dollar amount. No claimant shall receive a renter credit under subsection 6066(b) of this title in excess of \$2,500.00. No claimant shall

receive a municipal property tax credit under subdivision 6066(a)(2) of this title greater than ~~\$2,400.00~~ \$2,600.00.

\* \* \* Tuition \* \* \*

Sec. 15. TUITION FOR FISCAL YEARS 2028–2035

Notwithstanding any provision of law to the contrary, for fiscal years 2028 through 2035 only, the tuition paid to a public or approved independent receiving school shall not increase more than the annual change in the National Income and Product Accounts (NIPA) implicit price deflator for state and local government consumption expenditures and gross investment as reported by the U.S. Department of Commerce, Bureau of Economic Analysis. The tuition overcharge or undercharge provisions contained in 16 V.S.A. § 836 shall continue to apply in fiscal years 2028 through 2035.

\* \* \* Effective Dates \* \* \*

Sec. 16. EFFECTIVE DATES

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

(b) Secs. 8 and 9 (one-year renter credit expansion) shall take effect on July 1, 2026, and apply to claim year 2027.

(c) Sec. 2 (excess spending exemption) shall take effect on July 1, 2027, and apply to fiscal year 2028 and after.

(d) Secs. 6 and 7 (excess spending penalty transition) shall take effect on July 1, 2027, and apply to fiscal year 2028 and after.

(e) Secs. 10 and 11 (circuit breaker expansion) shall take effect on July 1, 2027, and apply to fiscal year 2028 and after, except that amendments to the renter credit shall apply to claim year 2028 and after.

(f) Sec. 15 (tuition for fiscal years 2028–2035) shall take effect on July 1, 2027, and apply to fiscal years 2028 through 2035.

(g) Sec. 12 (excess spending repeal) shall take effect on June 30, 2029.

(h) Secs. 13 and 14 (conforming changes for foundation formula) shall take effect on July 2, 2029.

COMMITTEE ON THE PART OF  
THE SENATE

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SEN. ANN E. CUMMINGS

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SEN. THOMAS I. CHITTENDEN

\_\_\_\_\_  
SEN. SCOTT L. BECK

COMMITTEE ON THE PART OF  
THE HOUSE

\_\_\_\_\_  
REP. EMILIE K. KORNHEISER

\_\_\_\_\_  
REP. CHARLES A. KIMBELL

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REP. MARTHA A. FELTUS