

Property Tax Credit Proposal:

Additional Details and Preliminary Tax Impacts

Jake Feldman, Senior Fiscal Analyst
Office of the Commissioner

February 4th, 2025

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

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



This was the 2023 income limit, but 2024's is down to \$115,000 and 2026's will be...?

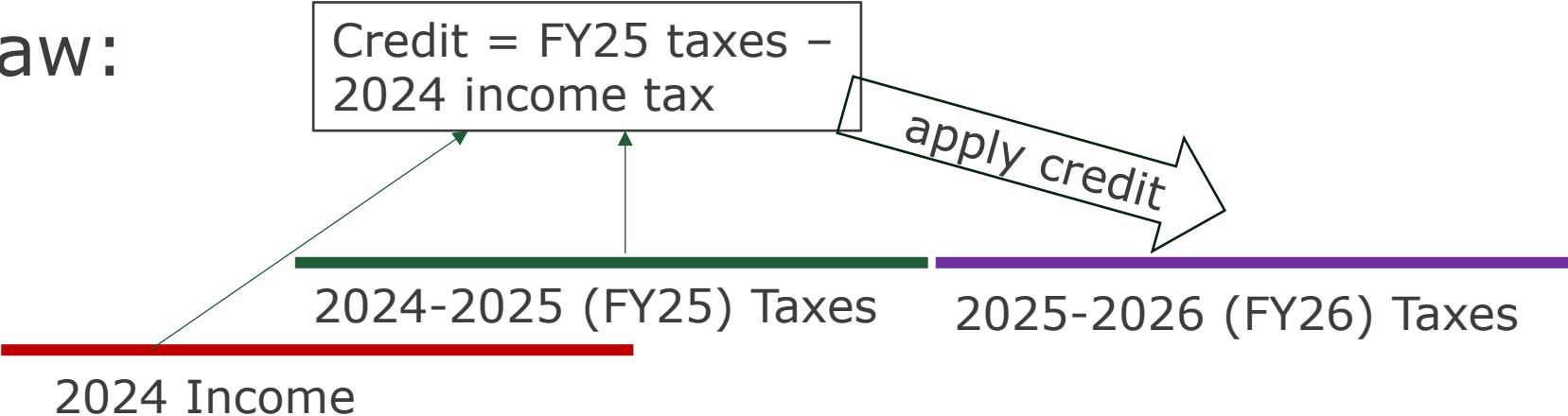
Why do this?

- **Makes it possible for voters and school boards to connect budget votes to tax bills**
- Makes the education property tax more progressive with respect to property wealth and makes VT tax relief more like other states'
- Addresses the property tax portion of the "lag" in the current system

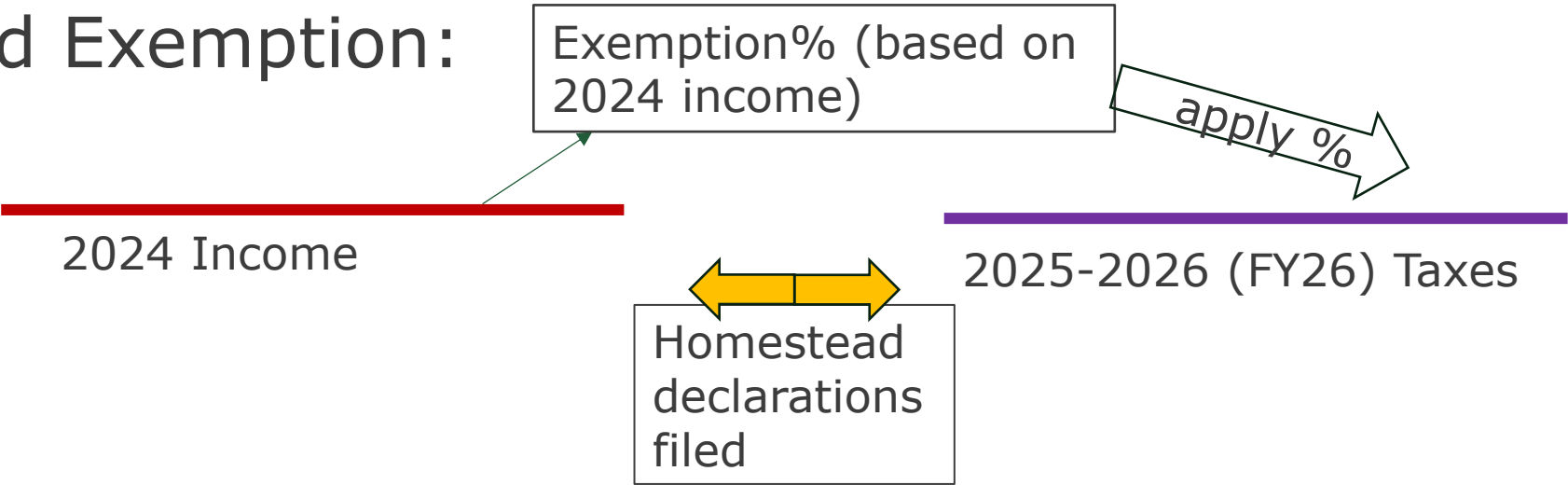
Full details and justification in the Act 183 report: [Act 183 Report](#)

Addressing the Lag

› Current Law:





› Homestead Exemption:



Modeling Setup Assumptions

- Modeling FY25 Net Taxes (Current Law Credits applied in FY26 superimposed back on FY25)
- 2024 income is not known yet so using projections based on consensus growth equations
- Impacts are organized by projected 2024 household income and FY25 housesite value (equalized)
- Figures in following tables are preliminary

FY25 Example Tax impacts of a homestead exemption:

 <p style="text-align: center;">Household 1</p>	 <p style="text-align: center;">Household 2</p>
Value: \$400,000	Value: \$100,000
Household Income: \$50,000	Household Income: \$50,000
Current Law Education Tax: \$6,065 (taxes based on property value) - <u>\$4,580 (income-based credit)</u> = \$1,485 net education taxes	Current Law Education Tax: \$1,516 (taxes based on property value) - <u>\$31 (income-based credit)</u> = \$1,485 net education taxes
Homestead Exemption Tax: 3,032	Homestead Exemption Tax: \$758
Increase of \$1,547 (+104%)	Decrease of \$727 (-49%)

FY25 Household Counts and Average Impacts 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	400	600	200	100	100	1,500
\$10K to \$25K	1,800	4,500	1,600	1,000	500	9,400
\$25K to \$47K	2,800	9,900	4,500	2,900	1,600	21,800
\$47K to \$90K	2,800	18,600	12,000	9,600	5,900	49,000
\$90K to \$115K	600	6,500	5,900	5,700	4,300	23,000
Total	8,400	40,100	24,300	19,400	12,500	104,600

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	\$ -

Current Law "Circuit Breaker" Credit Calculation

Household Income	Income Rate
\$0 – \$9,999	0.5%
\$10,000 – \$24,999	1.5%
\$25,000 – \$47,000	2.0%

- The credit covers the education tax on up to \$400,000 of equalized housesite value
- The overall cap of \$5,600 also applies

Options for Mitigating Tax Increases:

- › Education finance changes that happened at the same time and lowered everyone's property taxes
- › A reconfigured circuit breaker type credit that was paid out as an income tax refund
- › Further exemption tiers for households up to \$47,000 in income
- › A "Deferral" program where property owners can defer some property taxes until the property is transferred, such as [Maine's](#) or [Minnesota's](#)