

Vermont Legislative Joint Fiscal Office

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FISCAL NOTE

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S.101 An act relating to promoting housing choice and opportunity in smart growth areas – As passed by the Senate and amended by the House Committees on Natural Resources, and Ways and Means

<https://legislature.vermont.gov/Documents/2022/WorkGroups/House%20Ways%20and%20Means/Bills/S.101/S.101~Ellen%20Czajkowski~As%20Recommended%20by%20the%20House%20Committee%20on%20Ways%20and%20Means~5-6-2021.pdf>

Summary

This bill proposes to make changes to promote housing choice and opportunity in smart growth areas. It updates the statute of the Municipal and Regional Planning Fund to allow grants to municipalities seeking to modernize their bylaws to increase housing choice. It creates a surcharge on the property transfer tax on the value of properties transferred over \$1 million. Finally, it expands the first-year credits for the manufactured homes portion of the Affordable Housing Credit from \$425,000 to \$675,000.

Fiscal Impacts

Overall, this bill is expected to increase General Fund revenues by \$1.85 million in fiscal year (FY) 2022, \$1.5 million in FY 2023 and \$1.15 million in FY 2024. By FY 2026, it is expected this bill will increase revenues by \$650,000 per year, once section 6 (Manufactured Housing Credit) is fully phased in.

Sections 3 through 5 of the bill creates a 0.5% property tax surcharge on the value of properties over \$1 million. The surcharge, like the other rates in the property transfer tax, is marginal in nature, meaning it is applied to the value of the property transferred over \$1 million. As the table below notes, properties transferred over \$1 million would pay 1.95% (1.25% plus 0.5% new surcharge + 0.2% clean water surcharge) on the value of the transfer over \$1 million, up from 1.45% currently.

Property Transfer Tax Table (Proposed)			
Property Type	First \$100K	\$100K to \$1 million	Over \$1 million
Principal Residence	0.50%	1.25%+ 0.2% (CWS)	1.25%+ 0.5% surcharge + 0.2% (CWS*)
VHFA, VHCB, USDA (first \$110K)	No Tax	1.25% + 0.2% (CWS on amounts above \$200k)	1.25%+ 0.5% surcharge + 0.2% (CWS)
All Other	1.25% +0.2% (CWS)		1.25%+ 0.5% surcharge + 0.2% (CWS)

*CWS: Clean Water Surcharge. All revenues dedicated to the Clean Water Fund.

Sections 3 through 5 are expected to raise \$2.1 million in FY 2022, \$2.0 million in FY 2023, and \$1.9 million in FY 2024. This increase in revenues would benefit the General Fund.

Section 6 of the bill increases the first-year allocation for the manufactured homes credit within the Affordable Housing Tax Credit from \$425,000 to \$675,000. These tax credits reduce General Fund revenues. They are five-year credits. As such, the total revenue impact of the state increases by \$250,000 each year for five years, with the maximum revenue impact occurring in FY2026 of \$1.25 million (see table below).

Overall Flow of Revenue Impact, Manufactured Housing Credit Expansion							
	FY22	FY23	FY24	FY25	FY26	FY27	FY28
Credits Issued Year 1	-\$250,000	-\$250,000	-\$250,000	-\$250,000	-\$250,000	\$0	\$0
Credits Issued Year 2	\$0	-\$250,000	-\$250,000	-\$250,000	-\$250,000	-\$250,000	\$0
Credits Issued Year 3	\$0	\$0	-\$250,000	-\$250,000	-\$250,000	-\$250,000	-\$250,000
Credits Issued Year 4	\$0	\$0	\$0	-\$250,000	-\$250,000	-\$250,000	-\$250,000
Credits Issued Year 5	\$0	\$0	\$0	\$0	-\$250,000	-\$250,000	-\$250,000
Credits Issued Year 6	\$0	\$0	\$0	\$0	\$0	-\$250,000	-\$250,000
Credits Issued Year 7	\$0	\$0	\$0	\$0	\$0	\$0	-\$250,000
Total Revenue Impact	-\$250,000	-\$500,000	-\$750,000	-\$1,000,000	-\$1,250,000	-\$1,250,000	-\$1,250,000

In FY 2022, this expansion will reduce General Fund revenues by \$250,000, growing by \$250,000 per year through FY 2026. After FY2026, the increase in the manufactured housing allocation of the Affordable Housing Tax Credit will total \$1.25 million.