

# Renter Credit Overview

Income-Based Education Tax Study Committee  
Abby Shepard, Legislative Counsel  
November 10, 2022

# Outline

- General overview
  - What is the Renter Credit?
  - Prior law: Renter Rebate
  - Act 160 Changes to Renter Credit
- Current law in detail
  - Eligibility Requirements
    - Income
    - Proration
    - Claimants
    - Landlord Certificate
    - Fair market rent and household size
  - Calculating the credit



# General overview

# What is the Renter Credit?

- Cash assistance program for eligible Vermont residents whose income is at or below the program thresholds.
- Credit must be claimed at time of filing income tax return; paid in one lump sum.
- Administered by Vermont Department of Taxes.
- Credit is codified in the same chapter as the homestead property tax credit.<sup>1</sup>

<sup>1</sup> [32 V.S.A. chapter 154.](#)

# Prior Law: Renter Rebate

Under prior law, the Renter Credit was known as the Renter Rebate, which:

- Used the “household income” definition
- Capped eligibility at \$47,000 of household income
- Was only available if a percentage of rent paid exceeded a percentage of household income
- Allowed only one claimant per household and was not adjusted for family size
- Required renting for 12 calendar months
- Had different Landlord Certificate requirements
- Maximum \$3,000

# Act 160 Changes to Renter Credit

Acts 160 of 2020, an act relating to renter rebate reform<sup>1</sup>

- Changed name to “renter credit”
  - Aligned with change from homestead property tax “income sensitivity adjustment” to “credit” in Act 51 of 2019.<sup>2</sup>
- Created new credit calculation
  - Based on federal housing data and federal income limits adjusted for:
    - Renter’s family size
    - Renter’s location in State
  - Accounts for unrelated individuals living in the same household

<sup>1</sup> [2020 Acts and Resolves, No. 160.](#)

<sup>2</sup> [2019 Acts and Resolves, No. 51.](#)

# Act 160 Changes to Renter Credit

- Separated renter credit from homestead property tax credit
  - New definition of income
  - New eligibility criteria
- Changed Landlord Certificate requirements
  - Renters no longer required to obtain a Landlord Certificate
  - All landlords required to provide Landlord Certificates to Department of Taxes
- Effective January 1, 2021, affecting 2022 filing season and after

# Act 160 Changes to Renter Credit

Renter credit retained some aspects of the renter rebate, including:

- Funding by the General Fund.<sup>1</sup>
- Requiring domicile in Vermont for the entire taxable year and not allowing dependents to claim a credit.<sup>2</sup>
- Requiring the same information on Landlord Certificates, including name and address of landlord, location and type of unit, number of units in building, SPAN.<sup>3</sup>
- Timing for claiming credit: at time of filing Vermont income tax return.<sup>4</sup>

<sup>1</sup> [16 V.S.A. § 4025](#); [32 V.S.A. § 435](#); [2018 Acts and Resolves No. 11 \(Spec. Sess.\)](#), Sec. H.8, eff. July 1, 2018.

<sup>2</sup> [32 V.S.A. § 6066\(c\)](#).

<sup>3</sup> [32 V.S.A. § 6069](#).

<sup>4</sup> [32 V.S.A. § 6068](#).





# Current law in detail

# Eligibility Requirements: Income<sup>1</sup>

- Renter credit “income” definition is different from “household income”.
- Household income is still used for homeowner property tax credit.
  - Starts with federal adjusted gross income, with many additions and subtractions. Intended to show amount of income available to a household to pay property taxes.
  - Does not account for the number of people living in a household. It requires all unrelated persons to declare their income as household members, with limited exceptions.
  - Previously, only renters whose household income was \$47,000 or below and whose rent exceeded a percentage of income were eligible for the credit.<sup>2</sup>

<sup>1</sup> [32 V.S.A. § 6061\(4\), \(5\), \(18\)-\(20\)](#).

<sup>2</sup> [2020 Acts and Resolves, No. 160](#), Sec. 3.

# Eligibility Requirements: Income<sup>1</sup>

Renter credit income starts with federal adjusted gross income, then adds back:

- Certain trade or business losses
- Exempt interest
- 75% of exempt Social Security benefits, and
- Certain adjustments to gross income.

<sup>1</sup>[32 V.S.A. § 6061\(18\)](#).

# Eligibility Requirements: Proration<sup>1</sup>

## Months of Renting

- Renters may be eligible if they rented for at least 6 (instead of the previously required 12) calendar months during the taxable year. Months rented are not required to be consecutive.<sup>2</sup>
- If a renter only rented part of the year, credit is prorated by number of months rented.

## Business use

- If more than 25% of floor space of the dwelling is used for business purposes, credit will be pro rated by any portion used for business purposes.
  - Same requirement as for homestead property owners who claim a property tax credit.<sup>3</sup>

<sup>1</sup> 32 V.S.A. § 6066(b)(1)(E).

<sup>2</sup> 32 V.S.A. §§ 6062(a) and 6066(c)(3).

<sup>3</sup> 32 V.S.A. § 5401(7)(F)(c)(3).

# Eligibility Requirements: Claimants

- More than one renter per household may be eligible for the renter credit.<sup>1</sup> Previously, only one renter per household could claim the renter rebate.
  - Homeowner property tax credit is still limited to one claimant per household.<sup>2</sup>
- Like under prior law, the renter credit:
  - A claimant must have been domiciled in Vermont all year, and
  - A claimant cannot be a dependent of another taxpayer.<sup>3</sup>

<sup>1</sup> [32 V.S.A. § 6062\(a\)](#).

<sup>2</sup> [32 V.S.A. § 6062\(b\)](#).

<sup>3</sup> [32 V.S.A. § 6066\(c\)](#).

# Eligibility Requirements: Landlord Certificate<sup>1</sup>

- Renters are no longer required to obtain a Landlord Certificate from their landlord.
- All landlords required to provide Landlord Certificates to Department of Taxes for every rental property owned.
  - Previously, landlords had to provide certificates both to the Department of Taxes and to renters, but not automatically to all renters (only when landlords owned more than one rental property).
  - Renters whose landlords owned only one rental property had to request a certificate.

<sup>1</sup> [32 V.S.A. § 606g; 2020 Acts and Resolves, No. 160, Sec. 4.](#)

# Fair Market Rent Definition<sup>1</sup>

The amount of rent used to calculate the renter credit is the “fair market rent” for the area where renter resides.

- Fair market rent in each area is determined and published by the U.S. Department of Housing and Urban Development (US HUD).
- Areas generally correspond to counties, with some exceptions.
  - Burlington-South Burlington Metropolitan Statistical Area includes parts of Franklin and Grand Isle counties.
  - “Fair market rent” for claimants residing in Franklin or Grand Isle county means the average fair market rent for the State as determined US HUD.

<sup>1</sup>[32 V.S.A. § 6061\(7\)\(C\)](#).

# Fair Market Rent and Household Size

Fair market rent as set by US HUD is sensitized to the number of individuals in the household. More household members means a higher fair market rent.

- To calculate the renter credit, the number of individuals accounted for in the amount of fair market rent is the number of personal exemptions claimed by the renter on their Vermont income tax return.<sup>1</sup>
  - This includes a spouse and dependents.
- If a renter resides with anyone who isn't the renter's dependent or jointly filing spouse (e.g., a roommate), then the credit is reduced by half.<sup>2</sup>

<sup>1</sup> [32 V.S.A. § 6066\(b\)\(2\)](#).

<sup>2</sup> *Id.*



# Calculating the Credit

- Actual rent paid is no longer taken into account, with limited exceptions.
- For most renters, the credit is either 10% of fair market rent or a smaller percentage of fair market rent, based on the renter's income.<sup>1</sup>
  - Income limits are set by US HUD: extremely low-income or very low-income.<sup>2</sup>
  - Income limits are adjusted according to area where renter resides
    - Except Franklin and Grand Isle counties, which are subject to average income limits for State.<sup>3</sup>

<sup>1</sup>32 V.S.A. § 6066(b)(1).

<sup>2</sup>32 V.S.A. § 6061(19) and (20).

<sup>3</sup>*Id.*

# Calculating the Credit

US HUD 2022 income limits example for a 1-person household:<sup>1</sup>

- Burlington-South Burlington MSA:
  - Extremely low-income limit: \$22,550
  - Very low-income limit: \$37,600
- Statewide very low-income limit: \$32,500

<sup>1</sup> Source: [US HUD income limits documentation](#).

# Calculating the Credit<sup>1</sup>

## Credit phase out

- An eligible renter with income at or below the extremely low-income limit will get a credit of 10% of fair market rent.
- An eligible renter with income above the extremely low-income limit, but at or below the very low-income limit will get a credit reduced proportionally by the amount above the extremely low-income limit.
- An otherwise eligible renter with income above the very low-income limit will not get a credit.

<sup>1</sup> 32 V.S.A. § 6066(b)(1)(A)-(C).

# Calculating the Credit

- Special circumstances
  - For renters who receive a rental subsidy, the credit is 10% of actual rent paid.<sup>1</sup>
  - Rental of mobile home lots uses actual rent paid and calculation based on amount by which rent paid exceeds income.<sup>2</sup>
- Maximum credit is \$2,500, reduced from previous maximum of \$3,000.<sup>3</sup>

<sup>1</sup> [32 V.S.A. § 6066\(b\)\(1\)\(D\)](#).

<sup>2</sup> [32 V.S.A. §§ 6061\(7\)\(A\)-\(B\)](#); [6066\(d\)](#).

<sup>3</sup> [32 V.S.A. § 6066\(b\)\(1\)](#); [32 V.S.A. § 6067](#); [2020 Acts and Resolves, No. 160](#), Sec. 5.



Questions?