# WLR Feb 2: Property Tax Increase of 20%, Homeless Bill of Rights, and Winooski TIF District Success

*Copyright Vermont League of Cities and Towns*
*Current as of: 11/11/2026*

As lawmakers scramble to address out of control property tax increases, disagreements over public safety solutions emerge, competing visions for housing take focus, and flood-damaged communities get a big win with recent passage of S.160(opens in a new tab) by both chambers. (See more about S.160 in our Flood of Flood-Related Bills update(opens in a new tab).) Now S.160 heads to the Governor for signature(opens in a new tab). **Read more about what happened this week below, and don't miss VLCT's Summaries of the "Be Home" Bill and H.719**(opens in a new tab) on our Advocacy Updates: Housing, Community Development, and Land Use page.

**This week VLCT provided testimony to:**

- Senate Committee on Economic Development, Housing and General Affairs **Regarding the Be Home Bill**
- House Committee on Commerce and Economic Development **Regarding the Municipal Technical Assistance Program**
- Senate Committee on Government Operations **Regarding S.237 – Posting Municipal Employment Vacancies**

*The content of the* Weekly Legislative Report *below is provided by our advocacy partners. For more detail and commentary from VLCT Advocacy staff, visit the* ***Legislative Reports*** *webpage to access our topical Advocacy Updates.*

## Overview: 20% Property Tax Increase, Myriad of Public Safety Proposals, and Continued Conversation on Housing

### State on the Brink of Catastrophic Tax Increases

*Copyright Vermont League of Cities and Towns*
*Current as of: 11/11/2026*

The state's education fund is in the midst of a five-alarm fire as property taxes are currently set to spike 20.59%, higher than the 18% previously forecasted.

- Committees are still grappling with the fallout from the 5% cap, and this week most legislators seemed to agree that they need to get rid of it for all but a few school districts.
- Legislators spent their week looking at new taxes to raise revenue and buy down the property tax, including, but certainly not limited to a tax on second homes, cloud tax, surcharge tax on income over $500k, capital gains increase, sugar-sweetened beverage taxes, and anything else that doesn't move.
- Read more below.

### Public Safety Review Ongoing

The House Committee on Judiciary spent time looking at auto theft and expanding the restorative justice system. Some of this work is spilling over/shared with the House Committee on Corrections and Institutions.

- The House is continuing to focus on auto theft and retail theft as well as expanding restorative justice programs.
- The retail theft bill has evolved to be a conversation around work crew for those who have lower-level offenses such as this.
- The Committee is also considering a bill that seeks to refer more cases to community justice centers (CJCs). The Governor's team advocated for consolidating the administration of these programs and for consistency in training across the programs before requiring more referrals to CJCs. They also touched on the constitutional issues of making such a reform

*Copyright Vermont League of Cities and Towns*
*Current as of: 11/11/2026*

to our criminal justice system.

- The Senate focused on violations of conditions of release and reviewing any other technical changes or investments in pre-trial services.
    - The Committee also discussed legislation to **add two judge positions to the judiciary branch to help address the current backlog.**
    - The Senate Committee also took up the discussion of harsher penalties for distributing narcotics with death resulting.
- Meanwhile, In the House General and Housing Committee, the conversation continued around the **Homeless Bill of Rights.** This week, an advocate of the legislation asserted that the bill's language protecting ***"harmless activities associated with homelessness" would include public urination and open drug use.***
    - The Committee heard from the Vermont Association of Chiefs of Police that the definitions of "harmless activities associated with homelessness" and "public place" are *so vague that they will be difficult to navigate*.
    - Despite this, it seems that the vagueness is a feature of the legislation, rather than a mistake, for those advocating for the legislation, as they have not corrected the record with their ample opportunities.

### Two Very Different Trajectories for Housing Legislation

The housing discussion within the legislature is actively progressing in both the Senate Committee on Economic Development, Housing, and General Affairs and the House Committee on Energy and the Environment.

*Copyright Vermont League of Cities and Towns*
*Current as of: 11/11/2026*

- The two bills are entirely different visions, based in entirely different contexts, about what the state needs: one looking at how to build housing in places that are not harmful to the environment and the other strictly about "community resilience and biodiversity protection through land use"
- The general context and focus of each bill are potentially setting us up for the tired trope of "the economy vs. the environment," so be wary of that, as there's no reason one needs to come at the expense of the other.
    - Senate Economic is continuing work on the Be Home Act (full text), a committee bill that is currently focused on housing-related matters, including building codes, zoning, parking, and affordable housing. It also will propose a surcharge to the property transfer tax, doubling it for properties not designated as primary residences.
    - Meanwhile, the House Committee on Energy and the Environment is seeking to have H.687 primarily address environmental conservation, resilience, and amendments to the Act 250 program, restructuring the Natural Resources Board into the Environmental Review Board (ERB), as well as focusing on forest block mitigation and climate resiliency funding.
- Both committees are building on the findings from various studies conducted during the summer and fall. However, a notable challenge lies in the interpretation of the three-tier (with sub-tiers) structure proposed by the Natural Resources Board (NRB) for location-based jurisdiction, which was very vague.

*Copyright Vermont League of Cities and Towns*
*Current as of: 11/11/2026*

    - Senate Economic seems to be in favor of a more hands-off approach to allow a timeline for Regional Planning Commissions to work with municipalities to develop future land use (FLU) mapping. Meanwhile, House E&E seems more likely to lean towards being prescriptive and restrictive to development.
- Both bills address the appeals process, but in distinctly different ways:
    - The Be Home Act outlines procedures for recorded hearings, appeals to the Environmental Division, and an appeal bond requirement.
    - H.687 focuses on their newly formed Environmental Review Board's role in Act 250 appeals and introduces changes to the appeals process.
- To add to the conversation, the Senate Natural Resources Committee "dipped their oar in the water" on Thursday with a bill that aims to replicate the NRB report fully.
- No matter where the conversation is taking place, conversations sound nearly identical to those from the past six years, but they don't feel the same. There is an underlying feeling that there will be a substantial change in state land-use policies this year that will echo for decades.
- Read **VLCT's latest update about housing** on our Advocacy Updates: Housing, Community Development, and Land Use page.
- Read **VLCT's Testimony Regarding the BE Home Bill**.

### Property Tax Rates Even Worse Than Expected – Legislators Scramble to Find Revenue

*Copyright Vermont League of Cities and Towns*
*Current as of: 11/11/2026*

This week, we got the combined local school budgets we mentioned in last week's update, and it painted an even bleaker outlook, pushing property taxes to spike 20.59% if nothing is done. The Committees previously discussed all Levers in Vermont's Education Fund to keep the $2.06 billion education fund from ballooning to $2.37 billion, however, this week, they focussed on raising new revenue. See this presentation from JFO to the House Ways & Means Committee.

- Driving the deficit is the issue around the 5% cap on tax rates included in Act 127.
    - The cap was intended for those districts that would see a dramatic change in student enrollment due to Act 127, which changes student weighting. Many other districts seized upon the 5% cap language as an opportunity to grow spending.
    - Business groups pushed the Legislature in a joint memo to clarify the cap and provide an avenue for schools to reverse their budgets.
- The cap isn't the only cost driver:
    - We are in the first year of universal school meals at a cost of about $29 million. Originally, it was funded by surplus and now has no revenue source other than the property tax.
    - The state will also lose $4.22 million on flavored tobacco being banned if S.18 passes.
    - The state received millions in expanded sales tax money due to the Wayfair decision; however, the education fund has blown through that dramatic increase in revenue.

*Copyright Vermont League of Cities and Towns*
*Current as of: 11/11/2026*

- Teacher healthcare costs and capital construction are inflationary pressures that are also driving the cost.
- The issues are more systemic. Vermont k-12 students have the second most expensive education in the United States, and we'll likely be number one next year as our educational outcomes degrade.

### New Taxes Floating Around

For background, though property tax represents the bulk of the education fund revenue, there are non-property related revenue sources, including sales and use tax, 1/3 of purchase and use Tax, ¼ of Meals and Rooms Tax, profits from the state lotteries, and some other miscellaneous revenue sources. Both the House and Senate money committees looked at ways to raise about $310 million of revenue to tax our way out of this crisis. They include;

- **Sugar-Sweetened Beverages Tax**
  - Levying a tax on these beverages could raise an estimated $15.2 million if $0.01 per ounce and $29.8 million if $0.02.
- **Applying Sales Tax**
  - **To candy:** a new tax here could raise an estimated of $3.7 million.
  - **To clothing/footwear above thresholds:** Estimated revenue increase of $6.8 million ($110 cap), $5.6 million ($150 cap), and $4.4 million ($175 cap)
- **Prewritten Software Access Remotely (Cloud) Tax**

*Copyright Vermont League of Cities and Towns*
*Current as of: 11/11/2026*

    - Taxing the s*oftware, platforms, and infrastructure internet services* (everything you do on the internet) would bring an estimated $20.4 million in revenue.
- **Increasing Sales Tax Rate**
    - It's estimated that for each 0.1% rate increase in the sales tax, the state would receive $9.3 million (based on our current rate of 6%), which is projected to raise $606.9 million in FY 2025 revenue.
        - The conversation did not focus on that many municipalities in Vermont have a 1% local options tax, which effectively makes the tax rate 7%.
- **Other Sales Tax Expansions**
    - We already exempt a number of items, such as groceries, medical products, energy purchases, and clothing/footwear, at an estimated foregone revenue cost of $270.8 million.

As you can see, these all barely scratch the surface of the immense deficit we face.

***Other Less Ironed-Out Proposals are being discussed around the State House, including but not limited to:***

**Mandatory worldwide combined reporting**

- If you're looking for revenue, it could be tempting to look beyond the "water's edge," and that is what a proposal being floated in the House

*Copyright Vermont League of Cities and Towns*
*Current as of: 11/11/2026*

Ways and Means Committee would do.

- Under this system, a multinational corporation is required to consolidate the financial and tax information of all its subsidiaries, both domestic and foreign, into a single, comprehensive report for tax purposes.
- This would make Vermont an extreme outlier
- It is also not without risks; worldwide combining may lead to erratic revenue and actually reduce some corporate tax collections, posing risks to the state's priorities. Also, some foreign governments may retaliate.

**Income Surcharge Tax**

- Another tempting option for many legislators desperate to avoid difficult budget decisions would be to just target individuals with an adjusted gross income of more than $500,000 with a 3% surcharge tax.

**Capital gains tax**

- There is a proposal from the Ways and Means Committee Chair to apply income tax to 50 percent of the unrealized gain or loss of a taxpayer's assets if the individual's net worth is $10 million or greater. The bill would cap the amount of unrealized gains subject to taxation at 10 percent of the worth of a taxpayer's net assets in excess of $10 million in a tax year.

**Taxing second homes**

- Both the House and the Senate have discussed such a proposal over the years, however, Vermont's tax system makes it difficult and unworkable.

*Copyright Vermont League of Cities and Towns*
*Current as of: 11/11/2026*

As a brief aside on these taxes on upper-income earners, we hear a lot of anecdotal evidence from either side of the conversation:

- Those who are against these taxes site individuals they know who are moving to lower tax states because the tax burdens are outrageous, especially towards the end of their life,
- Those who are in favor of these tax proposals tend to cite evidence of individuals moving to the state because of the quality of life and safety
    - What they are neglecting is that quality of life and public safety can change, and people may not tolerate paying higher taxes for a lower quality of life.
    - What is also neglected is that people leaving Vermont are taking with them their community ties, which spurred their philanthropic and volunteer contributions to their communities. Of course this all leads back to a need for creating more housing, strengthening our public safety, and encouraging strong community ties.

## Homes for All Toolkit Launch and Training Summit on March 14!

Join the VT Department of Housing & Community Development and statewide partners for this interactive event is for **novice and emerging small-scale home builders** seeking to start developing new and renovated homes in Vermont, **community development professionals,** and **local leaders** looking for new housing tools to support Vermonters, and anyone interested in innovative solutions to Vermont's housing crisis.

*Copyright Vermont League of Cities and Towns*
*Current as of: 11/11/2026*

Through a **Missing Middle Homes Design Guide**, a series of five Vermont **Neighborhood Infill Design Case Studies**, and a **Builders' Workbook**, the Homes for All Toolkit is chock full of tips, tools, and resources for would-be developers and those who support them. Be the first to learn how the Toolkit can help you and your community in **addressing Vermont's housing and affordability crisis**, and stay for networking opportunities with housing funders, real estate professionals, home builders, and local housing champions.

Register Here

## Privacy Bill Takes Shape

The House Committee on Commerce and Economic Development started work on the latest version of their **privacy bill** after a press conference to roll it out last week. H.121 is not in draft 6.1 and draws on Connecticut's SB6 and SB 3. Here is a look at some of its key components.

**Data Level Exemptions:** The bill emphasizes data level exemptions, shifting away from entity and sector exemptions. This could impact how your business handles and processes data.

**Private Right of Action:** The legislation introduces a private right of action, allowing affected parties to seek legal recourse. Notably, entities have an opportunity to cure violations before facing legal action.

*Copyright Vermont League of Cities and Towns*
*Current as of: 11/11/2026*

**Consumer Rights:** Vermonters will have enhanced rights concerning their personal data. It includes the right to correct inaccuracies, request deletion, and opt-out of specific data uses, impacting targeted advertising and data sales.

**Controller Obligations:** Controllers are required to adhere to data security practices, provide clear privacy notices, and limit data collection to what is necessary. Compliance with these obligations may require adjustments to businesses' current practices beyond what is currently expected with GDPR and other regulations.

## Federal Update: Bipartisan Tax Package Passes Congress, Lumped in with Other Senate Business

This week saw the passage of the $78 billion Smith-Wyden tax package along very bipartisan lines. The legislation would remedy the issues with the **R&D tax credit** threatening so many Vermont businesses while also restoring the **child tax credit** to some of its pandemic-era robustness. The bill now heads to the Senate, where there are a number of issues that will get in the way;

- We're coming up on one month away from the potential government shutdown from the last continuing resolution.
- The Senate is jammed up with debates about the border and military aid for Ukraine, Israel, and Taiwan.
- The Senate is also scheduled to be out for a two-week recess this month.

*Copyright Vermont League of Cities and Towns*
*Current as of: 11/11/2026*

Another item held up is the FAA Reauthorization, which is up February 8th, encompassing many other policies, such as the DCA perimeter rule, and has *implications for small regional airports such as Burlington International.*

## Elsewhere In The State House

Hundreds of hours of committee discussion each week culminate into our advocacy update, so not everything makes it into the overall update; however, we often cover what is left on the cutting-room floor here for our most dedicated readers.

- Read updates from Week 1, Week 2, Week 3, Week 4, and the last session's recap.
- The House Committee on General and Housing continued discussion on H.751, which **expands equal pay protection to a number of additional protected classes, including color, religion, ancestry, place of birth, crime victim status, or age**. The Committee *could not hear from business groups as they all conveyed that they were needed elsewhere in the Legislature to address the housing, public safety, and education funding crisis facing the state.*
- Policymakers celebrated the **successful completion of the Winooski TIF District,** which has led to more jobs, more housing, and an increase in the grand list and contributions to the state education fund. Read more here.
- December tax numbers are in, and the General Fund, Transportation Fund, and Education Fund all exceeded their monthly cash targets despite a 12% ($13 million) shortfall in personal income. Pushing up the

*Copyright Vermont League of Cities and Towns*
*Current as of: 11/11/2026*

funds was Corporate Income tax (up $10 million) and interest income on the state's cash balance, which still holds federal COVID relief dollars, making the balance around $3 billion, about seven times pre-pandemic levels. Consumption taxes showed mixed results, with Meals & Room tax declining by -3.62%, while Sales & Use tax (linked to consumer confidence) increased by 3.71%. Gasoline tax (10.14%) and car buying (6.27%) performed well during the month after being one of the most gloomy spots in the recent e-board meeting

Publication Date

02/02/2024

*Copyright Vermont League of Cities and Towns*
*Current as of: 11/11/2026*