6 Opportunity Zones

Tax Incentives to Spur Housing Investment within Opportunity Zones

WHAT: Expand the personal income tax exemption for any capital gain realized from the sale of a primary residence within Vermont's 17 federally designated opportunity zones where the buyer intends to use it as their primary residence.

WHY: Vermont's housing stock is among the oldest in the nation and many Vermont communities with federally designated opportunity zones lack resources to reverse neighborhood disinvestment trends. This proposal aims to help tackle this challenge by exempting homeowner improvements from capital gains. This would promote investment in new and existing residential housing stock and simulate construction activity – an important part of the economy that pays living wages and generates tax revenues. It would also enhance federal investment incentives within Vermont's 17 opportunity zones.

WHO: While the proposed tax credits and grants help rental property owners, this incentive is aimed at homeowners who sell new or improved housing within Vermont opportunity zones. This is a benefit already enjoyed by Vermonters who sell their primary residence and expanding it would help create new and rehabilitate existing owner-occupied housing in these areas. For municipalities, stimulating housing investment within the opportunity zone increases the value of the grand list, helps maintain the population needed to ensure their long-term vitality and viability, and makes the operation of schools and the repair and maintenance of municipal infrastructure more affordable. It also helps employers who struggle to fill open jobs because of a lack of adequate housing.

HOW: Amend the tax laws to exempt any capital gain included in the taxpayer's adjusted gross income from the sale of homes located within a federally designed opportunity zone sold to a person who occupies the home as their primary residence.

FUNDING: There are just under 22,000 residential parcels in opportunity zones around Vermont. Creating this exemption is expected to reduce personal income tax revenues from an estimated 300 real estate transactions. Forgone revenue is estimated at less than $100,000.

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