

Land Use Change Tax Streamline

Jill Remick

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Land Use Change Tax (32 V.S.A. § 3757)

- When land enrolled in the Current Use program (also known as the Use Value Appraisal Program) is removed from the program, a Land Use Change Tax liability is established.
- Currently the liability is 10% of the value of the enrolled land, and in the case of a portion of the parcel, the liability is 10% of the value of the portion valued as a standalone parcel (See 32 V.S.A. § 3757(a)).
- The policy purpose of the tax is to discourage development, particularly the creation of smaller parcels of land in areas which are currently used for agriculture or forestry.

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Current Process Ramifications

- In 2015, the calculation change introduced significant complexities.
- The impact this has had on taxpayers and the related administrative burden on town officials and the Department have led to confusion, frustration, delays, and unpredictability in tax liability that have undermined the policy goals of the 2015 changes.

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Proposal

We propose changing the calculation for the portion of the parcel to a higher but set percentage (25%) of the prorated acreage, similar to how it was prior to 2015.

The benefits of this change are significant.

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Land Use Change Tax Streamline

- Taxpayers will be able to make informed decisions about their parcels, as they will be able to estimate tax liability prior to withdrawal from the program or the purchase of enrolled land;
- Towns will be freed from these standalone valuations which take significant time between valuation and appeals;
- Towns will no longer have to utilize an entire software system, myVTax, as the calculations would happen automatically and be managed by the Tax Department;
- Revenue generated by the Land Use Change Tax (and the fiscal impact for development) will be substantially equal to the current practice, while eliminating subjectivity, hours of lister time, unpredictability and most importantly keeping the policy goals of the Legislature in place.
- Towns will continue to receive 50% of the revenue collected up to \$2,000.

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Timeline for Land Use Change Tax

- Current Process: typically takes 30-90 days
- Proposed Process: instant and predictable prior to withdrawal and development

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Policy Implications

- This proposal is not driven by policy.
- The tax rate proposed represents the same policy impact as the current varied process, in a predictable and transparent manner.

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Fiscal implications

- This proposal was designed to be revenue neutral.
- It is not driven by financial implications, beyond the expected time savings for taxpayers, municipalities and the department.
- Towns will continue to get their share of LUCT Revenue Collected.

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Constituents Consulted

- Vermont League of Cities and Towns (VLCT)
- Vermont Association of Listers and Assessors (VALA)
- Vermont Farm Bureau
- Vermont Woodlands Association
- Vermont Natural Resources Council
- Vermont Municipal Clerks and Treasurers Association
- Department of Forests, Parks and Recreation
- Agency of Agriculture

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Thank you!

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