

Property Transfer Tax and Working Lands

House Committee on Agriculture, Food Resiliency, and Forestry

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Current Property Transfer Tax (PTT) Rates and Exemptions

Type of Property	Value Taxed	0.5% Property Transfer Tax	1.25% Property Transfer Tax	0.2% Clean Water Surcharge
Not Principal Residence	All		✓	✓
Principal Residence	\$0-\$100,000	✓		
	Marginal Value > \$100,000		✓	✓
Principal Residence Purchased w/ VHFA, VCTF, or USDA Assistance	\$0-\$110,000			
	\$110,000 - \$200,000		✓	
	Marginal Value > \$200,000		✓	✓

Source: Vermont Department of Taxes

- Property transfer tax rates are assessed on the *marginal value* above a given threshold
- Not principal residence includes secondary homes, commercial properties, timberland, and operating farms



Example – Current Law PTT

A house with a value of **\$650,000** is transferred:

If principal residence: First \$100,000 taxed at 0.5%
Remaining \$550,000 assessed 1.25% PTT and 0.2% Clean Water Surcharge
Total Tax: \$7,375 PTT, \$1,100 Clean Water Surcharge

If principal residence with VHFA, VCTF, or USDA-RD assistance: First \$110,000 pays no tax
Marginal value between \$110,000 and \$200,000 pays 1.25% PTT Tax ONLY
Remaining \$450,000 charged 1.25% PTT and 0.2% Clean Water Surcharge
Total tax: \$6,750 PTT, \$900 Clean Water Surcharge

If used as a second home: Full value assessed 1.25% PTT and 0.2% Clean Water Surcharge
Total tax: \$8,125 PTT, \$1,300 Clean Water Surcharge

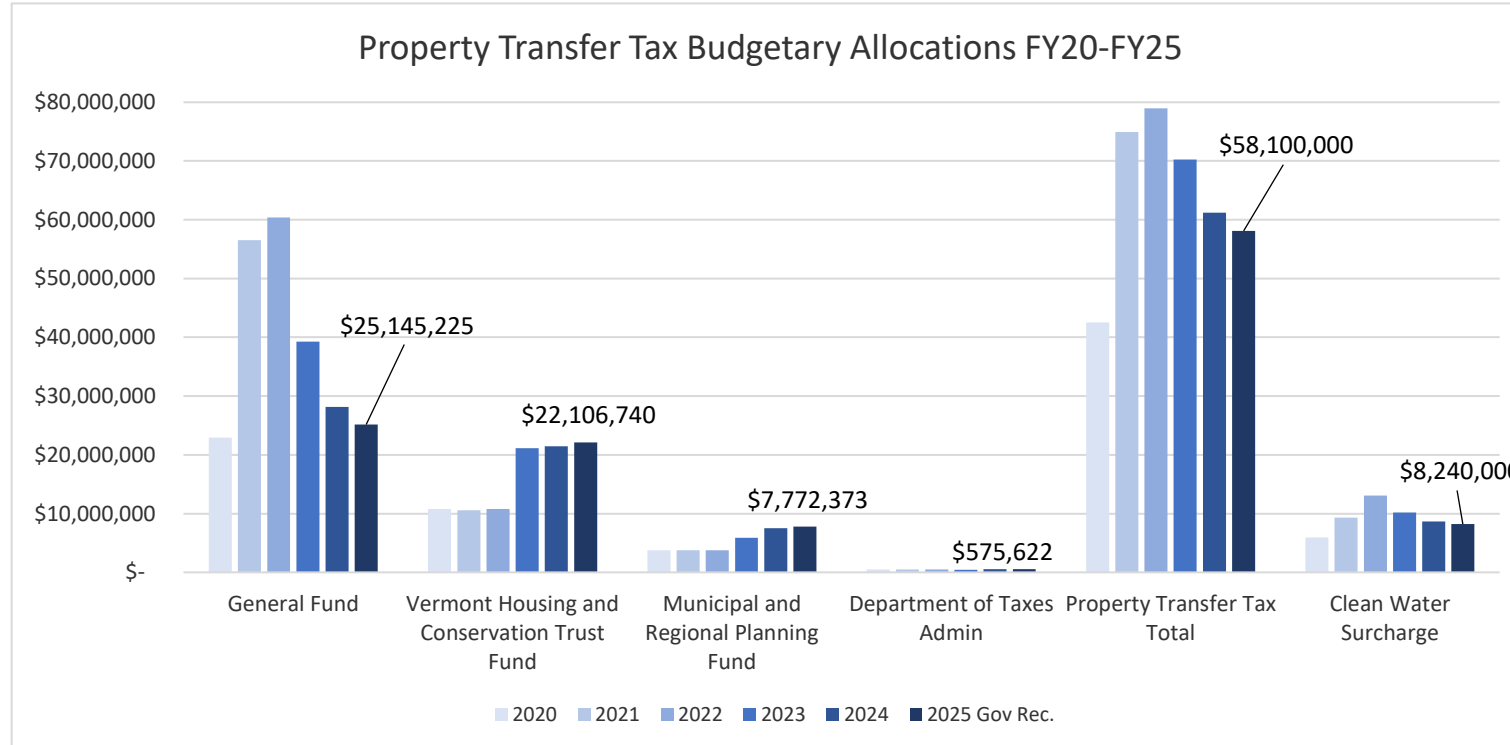


Current PTT Allocations

- **The property transfer tax is subject to the following allocations in statute:**
 - First \$2.5 million used to pay for the VHCB/VHFA Housing Bond
 - 2% of revenues allocated to Department of Taxes Property Valuation and Review administrative expenses
- **Of the remaining amount:**
 - 50% to the Vermont Housing and Conservation Trust Fund
 - 33% to the General Fund
 - 17% to the Municipal and Regional Planning Fund
- **Additionally, the first \$1 million of Clean Water Surcharge revenue is allocated to the Vermont Housing and Conservation Trust Fund**



PTT and Clean Water Surcharge (CWS) Historical Allocations



- Typically, property transfer tax revenue allocations in statute are “notwithstanding” in the budget process.



Rates and Exemptions Proposed in H.829

Type of Property	Value Taxed	0.5% Property Transfer Tax	1.25% Property Transfer Tax	3.65% Property Transfer Tax	0.22% Clean Water Surcharge
Not Principal Residence	\$0 - \$750,000		✓		✓
	Marginal Value > \$750,000			✓	✓
Principal Residence	\$0 - \$200,000	✓			
	\$200,000 - \$750,000		✓		✓
	Marginal Value > \$750,000			✓	✓
Principal Residence Purchased w/ VHFA, VCTF, or USDA Assistance	\$0 - \$250,000				
	\$250,000 - \$750,000		✓		✓
	Marginal Value > \$750,000			✓	✓

- These changes are estimated to generate \$17.5 million in property transfer tax revenue and \$60,000 of additional clean water surcharge revenue in fiscal year 2025
- Additional PTT revenue allocated to housing appropriations in fiscal year 2025
- Principal residence transfers of less than approximately \$765,700 of value would see lower PTT tax liability compared with current law



FY 2023 - Transfers with >\$750,00 in Value

Property Type	Total Count	Total Value	Count Greater than \$750K	Count Greater Than \$750K Percent of Total	Value Subject To 3.65% Rate
Domicile/Principal Residence	13,041	\$2,684,832,771	442	3.4%	\$159,953,811
<i>VHFA, USDA-RD Assistance</i>	302	-	-	0.0%	\$0
Secondary Residence	5,308	\$1,337,568,036	425	8.0%	\$276,510,330
Open Land	3,355	\$204,346,425	25	0.7%	\$5,877,476
Timberland	137	\$19,388,513	5	3.6%	\$6,545,000
Operating Farm	150	\$28,879,262	12	8.0%	\$4,550,433
Government Use	79	\$14,546,543	3	3.8%	\$0
Commercial	1,067	673,392,945	176	16.5%	\$390,715,318
Industrial	21	48,629,726	8	38.1%	\$13,485,466
Other	5,668	638,369,270	125	2.2%	\$110,530,591
Total	29,128	5,649,953,490	1,221		\$968,168,424

- The value of transfers greater than \$750,000 is mainly clustered in residential and commercial transactions.



Use Value Appraisal Program

- The use value appraisal program allows eligible forest or agricultural land to be taxed at use values set by the Current Use Advisory Board as opposed to fair market value.
- Property must be at least 25 acres (exceptions apply) and under a management plan or actively used for agricultural purposes.
 - “Agricultural purposes” includes use for at least three years and annual gross income for \$2,000 for parcels of 25 acres and \$75 for each additional acre
- 2024 Use Values:
 - Agricultural Land: \$483 per acre
 - Forest Land: \$188 per acre
 - Forest Land Greater than a Mile from a Class I, II, or III Road: \$141 per acre



Current PTT Revenues - Use Value Appraisal Program

Property Type	Property Type Description	Count	Value Transferred	Tax Due (Includes PTT and Clean Water Surcharge)
01	Domicile/Principal Residence	382	\$90,662,414	\$1,160,863
02	Secondary Residence	192	\$110,398,758	\$1,557,425
03	Open Land	448	\$50,027,980	\$662,431
04	Timberland	108	\$27,413,172	\$308,936
05	Operating Farm	118	\$40,383,345	\$455,755
06	Government Use	3	\$443,900	\$0
07	Commercial	8	\$45,865,800	\$665,054
09	Other	166	\$33,262,956	\$385,448
Total		1425	\$398,458,324	\$5,195,912

- Properties enrolled in current use transferred in FY 2023 fall into all different use cases, with half as open land or principal residence
- However, more than a quarter of transfer value was in secondary residences
- Overall, about 6.5% of transfer value in FY 2023 enrolled in current use



Exempting Working Lands from PTT

- Preliminary estimated cost of entirely exempting transfers involving agricultural land enrolled in current use from the PTT using rates and structure of H.829 is \$1.3 million per year
- Estimate based on the current share of agricultural land enrolled in current use out of overall total acreage enrolled
 - A little more than 1/5th of current use acreage is agricultural land
- However, the definition of “agricultural land” in 32 V.S.A §3752 could create incentives for behavior change.
 - Example \$650,000 second home transfer would owe \$8,125 in property transfer tax under current law
 - Gross farm income requirement of \$2,000 per year for 25 acres or less in 1 of two previous years not a high hurdle
 - Could include activities like sugaring, viticulture, orcharding, cheesemaking, etc.
- Questions?

