Act 73 Secondary Residences Report of 2021

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Where to find the report:

- Reports & Resources Tab of 2021-2022 Ways and Means Committee Page:

Documents & Handouts | House Committee on Ways and Means (vermont.gov)

- The Tax Department's Reports Archive has all our reports:

Reports | Department of Taxes (vermont.gov)

- This presentation from JFO on "Taxes and Second Homes" (which came up in the context of H.510 of 2022) may also be helpful:

H.510: Child Tax Credit (vermont.gov)

What is a “Secondary Residence”?

Property in Vermont is classified as either Homestead or Non-homestead. Non-homestead does not mean second home. Non-homestead means anything that is not a declared homestead, which includes factories, apartment buildings, office buildings, hunting camps, woodland, etc.

Secondary residences aren’t distinguishable in the State’s Grand List. There are 15 different Grand List categories, nine of which are potentially residential usage. From there, properties are flagged as homestead if the owner files a Homestead Declaration at the beginning of the year

Residential Categories on the Grand List:

Residential Categories on the Grand List	Description
Residential 1	Dwelling with fewer than 6 acres.
Residential 2	Dwelling with 6 or more acres.
Mobile Home Landed	Landed mobile home.
Mobile Home Unlanded	Unlanded mobile home.
Seasonal 1	Seasonal dwelling with fewer than 6 acres.
Seasonal 2	Seasonal dwelling with 6 or more acres.
Commercial Apartments	Multiple unit dwellings with 4 or more units.
Farms	Can be subjective.
Other	There is variation across municipalities concerning how this field is used. Some use it for condos, lakefront property, boat slips, airplane hangars, timeshares, or other properties where the market expresses a value different than other grand list categories.

Act 73 Report Charge

This report is required to contain recommendations relating to the following topics:

1. A definition for “secondary residences” to determine the new grand list classification of properties that would be subject to data collection and reporting

2. A structure and an implementation plan for collecting and reporting data on secondary residences as part of the grand list, including the State entity or State and municipal entities that would conduct the data collection and reporting.

3. Initial and on-going education and guidance for municipalities and listers

Act 73 Report Option 1: “Rough Swag”

Tax Department uses existing Grand List data, homestead declarations, and landlord certificates to identify *potential* second homes. In this case, a second home is any residential property where neither a homestead declaration nor a landlord certificate have been filed on the property

Strengths: **Quick and Simple**

No added burden on local officials

Weaknesses: **Low confidence on estimates**

May not reflect Legislature’s intent

Act 73 Report Option 2: “Boots on the Ground”

Legislature defines what a secondary residence is which would likely include a “use” based component such as time spent in the home, then local Listers flag those properties in the Grand List

Strengths:	**Definition is created by the Legislature**
	Data would reflect Legislative intent
Weaknesses:	**Listers don’t have the capacity to monitor how people are using or not using their properties**
	Less accurate data

Act 73 Report Takeaways, "Self-attestation"

Legislature creates a statutory definition and filing requirements, then owners of second homes would need to annually file paperwork with their towns or the State indicating that the property is a second home

Strengths:	**Definition is created by the Legislature**
	Data would reflect Legislative intent
	Most accurate data
Weaknesses:	**Bad compliance and unhappy owners of secondary residences**

Do any US jurisdictions tax secondary residences?

Washington, DC: A $5 per $100 tax applies to vacant properties (unoccupied for 30 days or more out of the year) with an additional $5 if the property is also "blighted." https://otr.cfo.dc.gov/page/otr-vacant-real-property

"Vacant" is defined as unoccupied for 30 days or more out of the year. Owners need to register their properties.

Oakland, CA: The city charges a $3,000 or $6,000 surcharge on city-identified "vacant" property (in use less than fifty days in the calendar year) https://www.oaklandca.gov/topics/vacantpropertytax#about-oaklands-vacant-property-tax

What about international jurisdictions?

Wales: Local governments can elect to charge up to a 300% surcharge on the local property rate to owners of empty homes and second homes.
https://www.gov.wales/new-tax-rules-second-homes
“Empty homes” are homes that are not the owner’s primary residence and are not substantially furnished.
“Second homes” are homes that are not the owner’s primary residence and *are* substantially furnished.

Vancouver, BC: The city charges a 5% tax on the value of empty homes. Owners of residential property have to declare how they used their property at the end of each year.
https://vancouver.ca/home-property-development/empty-homes-tax.aspx

“Empty homes” are residential property not rented or occupied as a primary residence.