

1 Sec. **X**. 32 V.S.A. § 9602 is amended to read:

2 § 9602. TAX ON TRANSFER OF TITLE TO **PROPERTY**

Commented [KK1]: Second home rate and allocation; less tax imposed on purchases using VHFA funded mortgage.

3 A tax is hereby imposed upon the transfer by deed of title to property
4 located in this State, or a transfer or acquisition of a controlling interest in any
5 person with title to property in this State. The amount of the tax equals one
6 and one-quarter percent of the value of the property transferred, or \$1.00,
7 whichever is greater, except as follows:

8 (1) With respect to the transfer of property to be used for the principal
9 residence of the transferee, the tax shall be imposed at the rate of five-tenths of
10 one percent of the first \$100,000.00 in value of the property transferred and at
11 the rate of one and one-quarter percent of the value of the property transferred
12 in excess of \$100,000.00; except that no tax shall be imposed on the first
13 ~~\$110,000.00~~ **\$150,000.00** in value of the property transferred if the purchaser
14 obtains a purchase money mortgage funded in part with a homeland grant
15 through the Vermont Housing and Conservation Trust Fund or that the
16 Vermont Housing and Finance Agency or U.S. Department of Agriculture and
17 Rural Development has committed to make or purchase; and tax at the rate of
18 one and one-quarter percent shall be imposed on the value of that property in
19 excess of ~~\$110,000.00~~ **\$150,000.00**.

20 * * *

1 (4) With respect to the transfer of residential property that will not be
2 used as the principal residence of the transferee, and for which the transferee
3 will not be required to provide a landlord certificate pursuant to section 6069
4 of this title, the tax shall be imposed at the rate of two and one-half percent of
5 the value of the property transferred.

6 Sec. ~~X~~. 10 V.S.A. § 312 is amended to read:

7 § 312. CREATION OF VERMONT HOUSING AND CONSERVATION
8 TRUST FUND

9 There is created a special fund in the State Treasury to be known as the
10 “Vermont Housing and Conservation Trust Fund.” The Fund shall be
11 administered by the Board and expenditures therefrom shall only be made to
12 implement and effectuate the policies and purposes of this chapter. The Fund
13 shall be ~~comprised~~ composed of 60 percent of the revenue collected under
14 32 V.S.A. § 9602(a)(4), 50 percent of the revenue from the property transfer
15 ~~tax under 32 V.S.A. chapter 234~~ all other subdivisions of 32 V.S.A. § 9602(a),
16 and any monies from time to time appropriated to the Fund by the General
17 Assembly or received from any other source, private or public, approved by
18 the Board. Unexpended balances and any earnings shall remain in the Fund
19 for use in accord with the purposes of this chapter.

20 Sec. 29. 24 V.S.A. § 4306(a) is amended to read:

1 (a)(1) The Municipal and Regional Planning Fund for the purpose of
2 assisting municipal and regional planning commissions to carry out the intent
3 of this chapter is hereby created in the State Treasury.

4 (2) The Fund shall be composed of 23.5 percent of the revenue collected
5 under 32 V.S.A. § 9602(a)(4), 17 percent of the revenue from ~~the property~~
6 ~~transfer tax under 32 V.S.A. chapter 231~~ all other subdivisions of 32 V.S.A.
7 § 9602 (a), and any monies from time to time appropriated to the Fund by the
8 General Assembly or received from any other source, private or public. All
9 balances at the end of any fiscal year shall be carried forward and remain in the
10 Fund. Interest earned by the Fund shall be deposited in the Fund.

11 (3) Of the revenues in the Fund, each year:

12 (A) 10 percent shall be disbursed to the Vermont Center for
13 Geographic Information;

14 (B) 70 percent shall be disbursed to the Secretary of Commerce and
15 Community Development for performance contracts with regional planning
16 commissions to provide regional planning services pursuant to section 4341a
17 of this title; and

18 (C) 20 percent shall be disbursed to municipalities.

19 Sec. 30. 32 V.S.A. § 435(b) shall be amended to read:

20 (b) The General Fund shall be composed of revenues from the following
21 sources:

- 1 (1) alcoholic beverage tax levied pursuant to 7 V.S.A. chapter 15;
- 2 (2) [Repealed.]
- 3 (3) [Repealed.]
- 4 (4) corporate income and franchise taxes levied pursuant to chapter 151
- 5 of this title;
- 6 (5) individual income taxes levied pursuant to chapter 151 of this title;
- 7 (6) all corporation taxes levied pursuant to chapter 211 of this title;
- 8 (7) 69 percent of the meals and rooms taxes levied pursuant to chapter
- 9 225 of this title;
- 10 (8) [Repealed.]
- 11 (9) [Repealed.]
- 12 (10) 16.5 percent of the revenue collected under subdivision 9602(a)(4)
- 13 of this title, 33 percent of the revenue from the property transfer taxes levied
- 14 pursuant to chapter 231 of this title all other subdivisions of 9602(a) of this
- 15 title, and the revenue from the gains taxes levied each year pursuant to chapter
- 16 236 of this title; and
- 17 (11) [Repealed.]
- 18 (12) all other revenues accruing to the State not otherwise required by
- 19 law to be deposited in any other designated fund or used for any other
- 20 designated purpose.

21 Sec. **X**. 32 V.S.A. § 9610 is amended to read:

Commented [KK2]: Act 250 allocation.

1 § 9610. REMITTANCE OF RETURN AND TAX; INSPECTION OF
2 RETURNS

3 * * *

4 (c) Prior to distributions of property transfer tax revenues under 10 V.S.A.
5 § 312, 24 V.S.A. § 4306(a), and subdivision 435(b)(10) of this title, two
6 percent of the revenues received from the property transfer tax shall be
7 deposited in a special fund in the Department of Taxes for Property Valuation
8 and Review administration costs.

9 (d)(1) Prior to any distribution of property transfer tax revenue under 10
10 V.S.A. § 312, 24 V.S.A. § 4306(a), subdivision 435(b)(10) of this title, and
11 ~~subsection~~ subsections (c) and (e) of this section, \$2,500,000.00 of the revenue
12 received from the property transfer tax shall be transferred to the Vermont
13 Housing Finance Agency to pay the principal of and interest due on the bonds,
14 notes, and other obligations authorized to be issued by the Agency pursuant to
15 10 V.S.A. § 621(22), the proceeds of which the Vermont Housing and
16 Conservation Board shall use to create affordable housing pursuant to 10
17 V.S.A. § 314.

18 (2) As long as the bonds, notes, and other obligations incurred pursuant
19 to subdivision (1) of this subsection remain outstanding, the rate of tax
20 imposed pursuant to section 9602 of this title shall not be reduced below a rate

1 estimated, at the time of any reduction, to generate annual revenues of at least
2 \$12,000,000.00.

3 (e) Prior to any distribution of property transfer tax revenue under 10
4 V.S.A. § 312, 24 V.S.A. § 4306(a), subdivision 435(b)(10) of this title, and
5 subsection (c) of this section, \$2,000,000.00 of the revenue received from the
6 property transfer tax shall be transferred to the Act 250 Permit Fund
7 established under 10 V.S.A. § 6029. Prior to a transfer under this subsection,
8 the Commissioner shall adjust the amount transferred according to the percent
9 change in the Bureau of Labor Statistics Consumer Price Index for All Urban
10 Consumers (CPI-U) by determining the increase or decrease, to the nearest
11 one-tenth of a percent, for the month ending on June 30 in the calendar year
12 one year prior to the first day of the fiscal year for which the transfer will be
13 made compared to the CPI-U for the month ending on June 30 in the calendar
14 year two years prior to the first day of the fiscal year for which the transfer will
15 be made.

Commented [KK3]: \$2M to Act 250 Permit Fund after \$2.5M VHFA for bonds for housing and before 2% to PVR for administration.

16 Sec. **X.** 10 V.S.A. § 6029 is amended to read:

Commented [KK4]: Act 250 allocation.

17 § 6029. ACT 250 PERMIT FUND

18 There is hereby established a special fund to be known as the Act 250
19 Permit Fund for the purposes of implementing the provisions of this chapter.
20 ~~Revenues to the fund~~ The Fund shall be composed of the revenue deposited
21 pursuant to 32 V.S.A. § 9610(e), those fees collected in accordance with

1 section 6083a of this title, gifts, appropriations, and copying and distribution
2 fees. The Board shall be responsible for the Fund and shall account for
3 revenues and expenditures of the Board. At the Commissioner’s discretion, the
4 Commissioner of Finance and Management may anticipate amounts to be
5 collected and may issue warrants based thereon for the purposes of this section.
6 Disbursements from the Fund shall be made through the annual appropriations
7 process to the Board and to the Agency of Natural Resources to support those
8 programs within the Agency that directly or indirectly assist in the review of
9 Act 250 applications. This Fund shall be administered as provided in 32
10 V.S.A. chapter 7, subchapter 5.

11 Sec. X.

12 Sec. **X**. 32 V.S.A. § 3800(q) is added to read:

13 (q) The statutory purpose of the exemption under 32 V.S.A. chapter 125,
14 subchapter 3 for new construction or rehabilitation is to lower the cost of new
15 construction or rehabilitation of residential properties in this State.

16 Sec. **X**. 32 V.S.A. chapter 125, subchapter 3 is added to read:

17 Subchapter 3. New Construction or Rehabilitation Exemption

18 § 3870. DEFINITIONS

19 As used in this subchapter:

20 (1) “Agency” means the Agency of Commerce and Community

21 Development as established under 3 V.S.A. § 2402.

Commented [KK5]: Administration proposal – value freeze for new construction and rehabilitated property.

1 (2) “Appraisal value” has the same meaning as in subdivision
2 3481(1)(A) of this title.

3 (3) “Exemption period” has the same meaning as in subsection 3871(d)
4 of this subchapter.

5 (4) “New construction” means the building of new dwellings.

6 (5) “Principal residence” means the dwelling occupied by a resident
7 individual as the individual’s domicile during the taxable year and for a
8 property owner, owned, or for a renter, rented under a rental agreement other
9 than a short-term rental as defined under 18 V.S.A. § 4301(a)(14).

10 (6)(A) “Qualifying improvement” means new construction or a physical
11 change to an existing dwelling or other structure beyond normal and ordinary
12 maintenance, painting, repairs, or replacements, provided the change:

13 (i) results in new or rehabilitated dwellings that are designed to be
14 occupied as principal residences and not as short-term rentals as defined under
15 18 V.S.A. § 4301(a)(14); and

16 (ii) occurred through new construction, rehabilitation, or both
17 during the 12 months immediately preceding or immediately following
18 submission of an exemption application under this subchapter.

19 (B) “Qualifying improvement” does not mean new construction or a
20 physical change to any portion of a mixed-use building as defined under
21 10 V.S.A. § 6001(28) that is not used as a principal residence.

1 (7)(A) “Qualifying property” means a structure that is:

2 (i) located within a designated downtown district, village center,
3 or neighborhood development area determined pursuant to 24 V.S.A. chapter
4 76A or a new market tax credit area determined pursuant to 26 U.S.C. § 45D,
5 or both;

6 (ii) composed of one or more dwellings designed to be occupied
7 as principal residences, provided:

8 (I) none of the dwellings shall be occupied as short-term rentals
9 as defined under 18 V.S.A. § 4301(a)(14) before the exemption period ends;
10 and

11 (II) a structure with more than one dwelling shall only qualify
12 if it meets the definition of mixed-income housing under 10 V.S.A.
13 § 6001(27);

14 (iii) undergoing, has undergone, or will undergo qualifying
15 improvements; and

16 (iv) in compliance with all relevant permitting requirements.

17 (B) “Qualifying property” may have a mixed use as defined under
18 10 V.S.A. § 6001(28).

19 (C) “Qualifying property” does not mean property located within a
20 tax increment financing district established under 24 V.S.A. chapter 53,
21 subchapter 5.

1 (8) “Rehabilitation” means extensive repair, reconstruction, or
2 renovation of an existing dwelling or other structure, with or without
3 demolition, new construction, or enlargement, provided the repair,
4 reconstruction, or renovation:

5 (A) is for the purpose of eliminating substandard structural, housing,
6 or unsanitary conditions or stopping significant deterioration of the existing
7 structure; and

8 (B) equals or exceeds a total cost of 15 percent of the grand list value
9 prior to repair, reconstruction, or renovation or \$75,000.00, whichever is less.

10 (9) “Taxable value” means the value of qualifying property that is taxed
11 during the exemption period.

12 § 3871. EXEMPTION

13 (a) Value increase exemption. An increase in the appraisal value of a
14 qualifying property due to qualifying improvements shall be exempted from
15 property taxation pursuant to this subchapter by fixing and maintaining the
16 taxable value of the qualifying property at the property’s grand list value in the
17 year immediately preceding any qualifying improvements. A decrease in
18 appraisal value of a qualifying property due to damage or destruction from fire
19 or act of nature may reduce the qualifying property’s taxable value below the
20 value fixed under this subsection.

1 (b) State education property tax exemption. The appraisal value of
2 qualifying improvements to qualifying property shall be exempt from the State
3 education property tax imposed under chapter 135 of this title as provided
4 under this subchapter. The appraisal value exempt under this subsection shall
5 not be exempt from municipal property taxation unless the qualifying property
6 is located in a municipality that has voted to approve an exemption under
7 subsection (c) of this section.

8 (c) Municipal property tax exemption. If the legislative body of a
9 municipality by a majority vote recommends, the voters of a municipality may,
10 at an annual or special meeting warned for that purpose, adopt by a majority
11 vote of those present and voting an exemption from municipal property tax for
12 the value of qualifying improvements to qualifying property exempt from State
13 property taxation under subsection (b) of this section. The municipal
14 exemption shall remain in effect until rescinded in the same manner the
15 exemption was adopted. Not later than 30 days after the adjournment of a
16 meeting at which a municipal exemption is adopted or rescinded under this
17 subsection, the town clerk shall report to the Director of Property Valuation
18 and Review and the Agency the date on which the exemption was adopted or
19 rescinded.

20 (d) Exemption period.

1 (1) An exemption under this subchapter shall start in the first property
2 tax year immediately following the year in which an application for exemption
3 under section 3872 of this title is approved and one of the following occurs:

4 (A) issuance of a certificate of occupancy by the municipal governing
5 body for the qualifying property; or

6 (B) the property owner’s declaration of ownership of the qualifying
7 property as a homestead pursuant to section 5410 of this title.

8 (2) An exemption under this subchapter shall remain in effect for five
9 years, provided the property continues to comply with the requirements of this
10 subchapter. When the exemption period ends, the property shall be taxed at its
11 most recently appraised grand list value.

12 (3) The municipal exemption period for a qualifying property shall start
13 and end at the same time as the State exemption period; provided that, if a
14 municipality first votes to approve a municipal exemption after the State
15 exemption period has already started for a qualifying property, the municipal
16 exemption shall only apply after the vote and notice requirements have been
17 met under subsection (c) of this section and shall only continue until the State
18 exemption period ends.

19 § 3872. ADMINISTRATION AND CERTIFICATION

20 (a) To be eligible for exemption under this subchapter, a property owner
21 shall:

1 (1) submit an application to the Agency of Commerce and Community
2 Development in the form and manner determined by the Agency, including
3 certification by the property owner that the property and improvements qualify
4 for exemption at the time of application and annually thereafter until the
5 exemption period ends; and

6 (2) the certification shall include an attestation under the pains and
7 penalties of perjury that the property will be used in the manner provided under
8 this subchapter during the exemption period, including occupancy of dwellings
9 as principal residences and not as short-term rentals as defined under 18 V.S.A.
10 § 4301(a)(14), and that the property owner will either provide alternative
11 housing for tenants at the same rent or that the property has been unoccupied
12 either by a tenant’s choice or for 60 days prior to the application. A
13 certification by the property owner granted under this subdivision shall:

14 (A) be coextensive with the exemption period;

15 (B) require notice to the Agency of the transfer or assignment of the
16 property prior to transfer, which shall include the transferee’s or assignee’s full
17 names, phone numbers, and e-mail and mailing addresses;

18 (C) require notice to any prospective transferees or assignees of the
19 property of the requirements of the exemption under this subchapter; and

20 (D) require a new certification to be signed by the transferees or
21 assignees of the property.

1 (b) The Agency shall establish and make available application forms and
2 procedures necessary to verify initial and ongoing eligibility for exemption
3 under this subchapter. Not later than 60 days after receipt of a completed
4 application, the Agency shall determine whether the property and any proposed
5 improvements qualify for exemption and shall issue a written decision
6 approving or denying the exemption. The Agency shall notify the property
7 owner, the municipality where the property is located, and the Commissioner
8 of Taxes of its decision.

9 (c) If the property owner fails to use the property according to the terms of
10 the certification, the Agency shall, after notifying the property owner,
11 determine whether to revoke the exemption. If the exemption is revoked, the
12 Agency shall notify the property owner, the municipality where the property is
13 located, and the Commissioner of Taxes. Upon notification of revocation, the
14 Commissioner shall assess to the property owner:

15 (1) all State and municipal property taxes as though no exemption had
16 been approved, including for any exemption period that had already begun;
17 and

18 (2) interest pursuant to section 3202 of this title on previously exempt
19 taxes.

20 (d) No new applications for exemption shall be approved pursuant to this
21 subchapter after December 31, 2027.

1 Sec. **X**. 32 V.S.A. § 4152(a) is amended to read:

2 (a) When completed, the grand list of a town shall be in such form as the
3 Director prescribes and shall contain such information as the Director
4 prescribes, including:

5 * * *

6 (6) For those parcels that are exempt, the insurance replacement value
7 reported to the local assessing officials by the owner under section 3802a of
8 this title or what the full listed value of the property would be absent the
9 exemption and the statutory authority for granting such exemption and, for
10 properties exempt pursuant to a vote, the year in which the exemption became
11 effective and the year in which the exemption ends; provided that, for parcels
12 exempt under chapter 125, subchapter 3 of this title, the insurance replacement
13 value shall not be substituted for the full listed value of the property absent the
14 exemption and the grand list shall indicate whether the exemption applies to
15 the State property tax or both the State and municipal property taxes.

16 * * *

17 Sec. **X**. REPEALS; NEW CONSTRUCTION OR REHABILITATION

18 EXEMPTION

19 The following are repealed on July 1, 2037:

20 (1) 32 V.S.A. § 3800(q) (statutory purpose); and

1 (27)(A) Transfers of blighted dwellings that the transferee certifies will
2 be rehabilitated for occupancy as principal residences and not as short-term
3 rentals as defined under 18 V.S.A. § 4301(a)(14), provided the rehabilitation is
4 completed and occupied not later than three years after the date of the transfer.
5 If, three years after the date of transfer, the rehabilitation has not been
6 completed and occupied, then the tax imposed by this chapter shall become
7 due.

8 (B) As used in this subdivision (27):

9 (i) “Blighted” means substandard structural or housing conditions,
10 including unsanitary and unsafe dwellings and deterioration sufficient to
11 constitute a threat to human health, safety, and public welfare.

12 (ii) “Completed” means rehabilitation of a dwelling to be fit for
13 occupancy as a principal residence.

14 (iii) “Principal residence” means a dwelling occupied by a resident
15 individual as the individual’s domicile during the taxable year and for a
16 property owner, owned, or for a renter, rented under a rental agreement other
17 than a short-term rental as defined under 18 V.S.A. § 4301(a)(14).

18 (iv) “Rehabilitation” means extensive repair, reconstruction, or
19 renovation of an existing dwelling beyond normal and ordinary maintenance,
20 painting, repairs, or replacements, with or without demolition, new
21 construction, or enlargement.

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2 Sec. **X**. EFFECTIVE DATES

3 Sec. **[00]** (grand list contents, 32 V.S.A. § 4152(a)) shall take effect on July

4 1, 2037.

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