

TO THE HONORABLE SENATE

The Committee on Agriculture to which was referred House Bill No. H. 329, entitled "An act relating to use value appraisals"

respectfully reports that it has considered the same and recommends that the Senate propose to the House to amend the bill by striking out all after the enacting clause and inserting in lieu thereof the following:

**\* \* \* Definitions \* \* \***

Sec. 1. 32 V.S.A. § 3752 is amended to read:

§ 3752. DEFINITIONS

\* \* \*

(8) "~~Housesite~~" "House site" means the two acres of land surrounding any house, mobile home, or dwelling, but shall not include any dwelling that houses farm employees if that dwelling qualifies as a "farm building" under subdivision (14) of this section.

(9) "Managed forestland" means:

(A) any land, exclusive of any house site, which is at least 25 acres in size and which is under active long-term forest management for the purpose of growing and harvesting repeated forest crops in accordance with minimum acceptable standards for forest management. Such land may include eligible ecologically significant treatment areas in accordance with minimum acceptable standards for forest management and as approved by the Commissioner; or

\* \* \*

(14) "Farm buildings" means all farm buildings and other farm improvements which are actively used by a farmer as part of a farming operation, are owned by a farmer or leased to a farmer under a written lease for a term of three years or more, and are situated on land that is enrolled in a use value appraisal program or on a ~~housesite~~ house site adjoining enrolled land. "Farm buildings" shall include up to \$100,000.00 of the value of a farm facility processing farm crops, a minimum of 75 percent of which are produced on the farm ~~and~~. "Farm buildings" shall not include any dwelling other than a dwelling in use during the preceding tax year exclusively to house one or more farm employees, as defined in 9 V.S.A. § ~~4469~~ § 4469a, and their families, as a nonmonetary benefit of the farm employment, even if such a dwelling is located on a house site that is not contiguous with the land receiving a use value appraisal. This subdivision shall not affect the application of the definition of "farming" in 10 V.S.A. § 6001(22) or the definition of "farm structure" in 24 V.S.A. § 4413(d)(1).

\* \* \*

(16) "Methane digester" means a system used to convert manure or other farm products into biogas through an anaerobic digesting process.

(A) A methane digester shall be considered a farm building for purposes of this chapter if it is:

(i) owned by or leased to a farmer pursuant to subdivision (14) of this section;

(ii) actively used to manage manure or other farm products from the farm operation, and the amount of manure or other farm products it manages from the farm operation exceeds the amount of off-farm manure or other farm products it manages; and

(iii) situated on land subject to use value appraisal or on a house site that is or is not contiguous with the land receiving a use value appraisal.

(B) For the purpose of calculating municipal reimbursements under section 3760 of this title, the Director shall value any methane digester treated as a farm building at zero.

(17) As used in this chapter, "parcel" means all contiguous land in the same ownership, except that for land that is subdivided, each subdivided lot shall be considered a parcel.

**\*\*\* Forest Management Plans \*\*\***

Sec. 2. 32 V.S.A. § 3755 is amended to read:

**§ 3755. ELIGIBILITY FOR USE VALUE APPRAISALS**

\*\*\*

(b) Managed forestland shall be eligible for use value appraisal under this subchapter only if:

\*\*\*

(3) there has not been filed with the Director an adverse inspection report by the Department stating that the management of the tract is contrary to the forest or conservation management plan, or contrary to the minimum acceptable standards for forest or conservation management. The management activity report shall be on a form prescribed by the Commissioner of Forests, Parks and Recreation in consultation with the Commissioner of Taxes and shall include a detachable section signed by all the owners that shall contain the federal tax identification numbers of all the owners. The section containing federal tax identification numbers shall not be made available to the general public, but shall be forwarded to the Commissioner of Taxes within 30 days after receipt and used for tax administration purposes. If any owner shall satisfy the Department that he or she was prevented by accident, mistake, or misfortune from filing a an initial or revised management plan which is

required to be filed on or before October 1, or a management plan update which is required to be filed on or before April 1 of the year in which the plan expires, or a management activity report which is required to be filed on or before February 1 of the year following the year when the management activity occurred, the Department may receive that management plan or management activity report at a later date; provided, however, no initial or revised management plan shall be received later than December 31, and no management plan update shall be received later than one year after April 1 of the year the plan expires, and no management activity report shall be received later than March 1.

**\* \* \* Portions of Parcels \* \* \***

Sec. 3. 32 V.S.A. § 3756 is amended to read:

**§ 3756. QUALIFICATION FOR USE VALUE APPRAISAL**

(a) The owner of eligible agricultural land, farm buildings, or managed forestland shall be entitled to have eligible property appraised at its use value provided the owner shall have applied to the Director on or before September 1 of the previous tax year, on a form approved by the Board and provided by the Director. A farmer, whose application has been accepted on or before December 31 by the Director of ~~the Division of~~ Property Valuation and Review of the Department of Taxes for enrollment for the use value program for the current tax year, shall be entitled to have eligible property appraised at its use value, if he or she was prevented from applying on or before September 1 of the previous year due to the severe illness of the farmer.

(b) ~~{Deleted.}~~ When applying for a use value appraisal, the owner of eligible agricultural land or managed forestland may:

(1) Designate a portion of the parcel, not to exceed two acres, to remain excluded from the program and that shall be valued as a portion of a parcel in accordance with subsection (d) of this section. The designated portion does not need to represent a fixed location. If an owner of managed forestland designates a portion of a parcel under this subdivision and does not fix the location of the designated portion, the entire parcel shall remain under the forest management plan.

(2) Exclude an undeveloped, contiguous portion of a parcel from enrollment in the use value program. Until the unenrolled portion is developed, the fair market value of any portion of a parcel that is not subject to a use value appraisal shall be valued as a portion of a parcel in accordance with subsection (d) of this section.

(c) The Director shall notify the applicant ~~no later than~~ on or before April 15 of his or her decision to classify or refusal to classify his or her property as eligible for use value appraisal by delivery of such notification to

him or her in person or by mailing such notification to his or her last and usual place of abode. In the case of a refusal, the Director shall state the reasons therefor in the notification.

(d) The assessing officials shall appraise qualifying agricultural land and managed forestland and farm buildings at use value appraisal as defined in subdivision 3752(12) of this title. If the land to be appraised is a portion of a parcel, the assessing officials shall:

~~(1) determine the contributory value of each portion such that the fair market value of the total parcel is comparable with other similar parcels in the municipality; and~~

~~(2) notify the landowner according to the procedures for notification of change of appraisal. The portion of the parcel that is not to be appraised at use value shall be appraised at its fair market value. determine the fair market value of the entire parcel that is comparable with similar parcels in the municipality;~~

(2) determine the fair market value of the portion not being appraised at use value as if it were a separate parcel at a value that is comparable with similar parcels in the municipality;

(3) for purposes of the payment to municipalities under section 3760 of this title, determine fair market value of the portion being appraised at use value as the difference between the value of subdivisions (1) and (2) of this subsection; and

(4) notify the owner of the value used in accordance with the procedures for notification of a change of appraisal.

\* \* \*

**\* \* \* Land Use Change Tax \* \* \***

Sec. 4. 32 V.S.A. § 3757 is amended to read:

**§ 3757. LAND USE CHANGE TAX**

(a) Land which has been classified as agricultural land or managed forestland pursuant to this chapter shall be subject to a land use change tax upon the development of that land, as defined in section 3752 of this chapter. ~~The~~ When an entire parcel is developed, the tax shall be at the rate of 20 percent of the full fair market value of the changed land determined without regard to the use value appraisal; or the tax shall be at the rate of 10 percent if the owner demonstrates to the satisfaction of the Director that the parcel has been enrolled continuously more than 10 years. ~~If~~ For parcels or portions of a parcel that have been continuously enrolled for 10 years or longer, and changed land is a portion of a parcel, the fair market value of the changed land shall be the fair market value of the changed land prorated on the basis of

**\*\*\* Parcel \*\*\***

Sec. 7. 32 V.S.A. § 4152(a)(3) is amended to read:

(3) A brief description of each parcel of taxable real estate in the town. “Parcel” As used in this chapter, “parcel” means all contiguous land in the same ownership, together with all improvements thereon;

**\*\*\* Audit Language \*\*\***

Sec. 8. 32 V.S.A. § 3760a is added to read:

§ 3760a. VALUATION AUDITS

(a) Annually, the Director shall conduct an audit of five towns with enrolled land to ensure that parcels with a use value appraisal are appraised by the local assessing officials consistent with the appraisals for non-enrolled parcels.

(b) In determining which towns to select for an audit, the Director shall consider factors that demonstrate a deviation from consistent valuations, including the following:

(1) the fair market value per acre of enrolled land in each town;

(2) the fair market value of enrolled land versus un-enrolled land in the same town;

(3) the fair market value of enrolled farm buildings in each town; and

(4) the fair market value of enrolled farm buildings in relation to the fair market value of the associated land.

(c) For each town selected for an audit, the Director shall:

(1) conduct an independent appraisal of enrolled parcels and enrolled farm buildings in that town;

(2) compare the appraisals reached by the Director for each enrolled parcel with the appraisal reach by the local assessing officials; and

(3) review the land schedule and appraisal model applied by the town.

(d) If, as a result of an audit, the Director determines that the townwide appraisal for enrolled parcels reached by the local assessing officials is more than 10 percent higher than the townwide appraisal for enrolled parcels reached by the Director, then the Director shall substitute his or her appraisals of fair market value for the appraisals reached by the local assessing officials, and the Director may collect a portion of the cost or the entire cost of the audit from the town. A substitution of a fair market appraisal under this subsection shall be treated as a substitution by the Director under subsection 3760(b) of this title. Nothing in this subsection shall be construed to prohibit the Director

from substituting his or her appraisals for the appraisals of the local assessing officials under subsection 3760(b) of this title.

Sec. 9. DIVISION OF PROPERTY VALUATION AND REVIEW UPDATE

On or before January 15, 2015, the Division of Property Valuation and Review shall provide a status report on the implementation of the valuation audits required by 32 V.S.A. § 3760a to the House Committee on Agriculture and Forest Products, the Senate Committee on Agriculture, the House Committee on Ways and Means, and the Senate Committee on Finance.

**\*\*\* Agricultural Lands \*\*\***

Sec. 10. AGRICULTURAL LANDS SUBJECT TO A USE VALUE APPRAISAL

The Commissioner of Taxes, in consultation with the Secretary of Agriculture, Food and Markets and the Commissioner of Forests, Parks and Recreation, shall adopt rules or procedures to ensure that agricultural lands subject to a use value appraisal continue to meet the statutory requirements to qualify for those appraisals. Prior to filing proposed rules under this section, and on or before January 15, 2015, the Commissioner shall report the proposed rules to the House Committee on Agriculture and Forest Products, the Senate Committee on Agriculture, and the House and Senate Committees on Natural Resources and Energy.

**\*\*\* County Foresters \*\*\***

Sec. 11. COUNTY FORESTERS

(a) The Secretary of Natural Resources, in consultation with the Commissioner of Taxes and the Commissioner of Forest, Parks and Recreation, shall report to the Senate Committee on Finance and House Committee on Ways and Means on whether the current number of county foresters is sufficient to oversee compliance of forestland subject to a use value appraisal under 32 V.S.A. chapter 124, given the increasing number of forestland parcels, and the increasing acreage of forestland, in the current use program. In addition to any issues the Secretary considers relevant to this report, he or she shall specifically consider whether any or all of the following would be appropriate to strengthening the current use program:

(1) providing an additional forester whose sole responsibility would be investigating alleged violations of the current use requirements and doing spot compliance checks for forestland parcels;

(2) adding additional foresters to reflect the growth in forestland parcels subject to a use value appraisal; and

(3) requiring consulting foresters to be licensed by the State.

(b) The report of the Secretary of Natural Resources under this section shall be due on January 15, 2015.

**\*\*\* Appropriation \*\*\***

Sec. 12. CURRENT USE ANALYST

The establishment of one (1) new classified position – Current Use Analyst – in the Department of Taxes is authorized in fiscal year 2015 for the purpose of conducting valuation audits required by this act and any other job responsibilities related to use value appraisals under 32 V.S.A. chapter 124. The sum of \$75,000.00 is appropriated from the General Fund to the Department of Taxes to fund this position.

**\*\*\* Ecologically Significant Treatment Areas \*\*\***

Sec. 13. 2008 Acts and Resolves No. 205, Sec. 7 is amended to read:

Sec. 7. COMMISSIONER OF FORESTS, PARKS AND RECREATION

\*\*\*

(3) If more than 20 percent of the acres to be enrolled are Site 4, plus open not to be restocked, plus ecologically significant not to be managed for timber production, landowners may apply to the ~~commissioner~~ Commissioner for approval. The plans and maps shall be reviewed by the county foresters of the county where the parcel is located. ~~In no situation shall a parcel be approved that does not provide for at least 80 percent of the land classified as Site 1, 2, or 3 to be managed for timber production.~~

\*\*\*

**\*\*\* Effective Dates \*\*\***

Sec. 14. EFFECTIVE DATES

This act shall take effect on July 1, 2014 and apply to grand lists compiled after that date, except for Sec. 4 (land use change tax) which shall take effect on October 1, 2014.

(Committee vote: 5-0-0)



---

Senator Starr  
FOR THE COMMITTEE

