

## H.272 Current Use and Technical Tax Changes

FY 2016 Revenue Change

Sec #	Brief Provision Description	GF	EF	SF
<b><u>Administrative Provisions</u></b>				
1	Eliminates report from manufacturers and distributors of malt and vinous beverages		N/A	
2 & 35	Repeals PVR responsibility for mapping and transfers to VCGI		N/A	
3	Allows ANR to share proprietary info with		N/A	
4	Removes Tax from statutory distribution of municipal annual report		N/A	
5	Allows director of PVR to certify additional courses for lister training		N/A	
<b><u>Current Use</u></b>				
6	The LUCT is 10% of a whole parcel, and 10% of the FMV of a portion. Munis receive the lesser of 1/2 of the tax paid or \$2K. Technical correction to file lien rather than application at the land records.	In out years, the LUCT would yield an estimated \$2.6 - \$3.0 million annually, approximately three times the current law amount.		
6a	Beginning in FY17, LUCT 3/4 to EF and 1/4 to GF	No FY16 impact, FY17 negligible		
7 & 8	Portions of parcels are now valued at FMV, and local assessors no longer rely on sales info from PVR Director		N/A	
9	Management activity report clarification and notice period		N/A	
10	Ability for landowners to withdraw land between 7/1/15 and 10/1/15 "easy out"	FY17 \$500K GF	FY16 \$900K EF	
11	Establishes a study committee to examine reimbursements to municipalities		N/A	
12	Requires PVR to publish Guidance on how to assess land subject to a conservation easement and land subject to use value appraisal by April 15, 2016.		N/A	
<b><u>Statewide Education Tax</u></b>				
13	Homestead Property must be owned on April 1 and not leased more than 183 days		- Minimal EF	
14	Extends the property tax exemption for qualified housing 10 additional years		(\$744K) EF	
<b><u>Tax Increment Financing Districts</u></b>				
15	Technical TIF changes on reporting requirements and dates		N/A	
16	Allows TIFs to exclude special assessments from the municipal increment		N/A	
<b><u>Income Taxes</u></b>				
17	Annual update to IRS code		N/A	
18	Mirrors federal withholding rather than a VT specific rule		N/A	
19	Requires trusts and estates to make estimated payments		N/A	
<b><u>Downtown Tax Credits</u></b>				
20	Expands credit for "qualified code technology improvements"	No additional cost, these fall under the existing cap and may increase pressure/competition for credits		
21	Limits the new elevator credit to \$40,000			
<b><u>Cigarette Tax</u></b>				
22 - 35	Amends sections to conform with changes made in Act 14 of 2013 (definitional changes, redundant terms etc)		N/A	
<b><u>Corporation Taxes</u></b>				
36	Administrative provisions (interest, penalty, appeal and collection) to franchise taxes		N/A	
<b><u>Meals and Rooms Tax</u></b>				
37	Interest on M&R tax refund begins from 45 days after refund request	Negligible GF		
<b><u>Repeals and Effective Dates</u></b>				
38	Prohibits the sale of lottery products in bars and restaurants	Additional revenue from these sources not included in the January forecast.		
39	Repeals PVR responsibility for mapping (see Section 2 also)		N/A	
40	Effective Dates		N/A	

Prepared by JFO

# Vermont Legislative Joint Fiscal Office

One Baldwin Street • Montpelier, VT 05633-5701 • (802) 828-2295 • Fax: (802) 828-2483

## *Fiscal Note*

Date: March 28, 2015

Prepared by: Mark Perrault

### **H.272 – Use Value Appraisal Sections 6- 12**

House Bill No. 272 would amend the land use change tax (LUCT), but allow owners of land currently taxed at its use value to withdraw from use value appraisal between July 1 and October 1, 2015. Partial withdrawals would be subject to the LUCT under current law; full withdrawals would be entirely exempt from the first \$100,000 of LUCT. H.272 would affect (1) the education and municipal property taxes, (2) the municipal reimbursement for enrolled land, and (3) the LUCT as follows:

#### Education and municipal property taxes

Owners of land taxed at its use value as of July 1, 2015 would be allowed to withdraw all or a portion of their enrolled land before October 1, 2015. Withdrawn land would be appraised and listed at its appraised value on both the education and municipal grand lists beginning in FY2016. No owner electing to discontinue enrollment under H.XXX would be allowed to re-enroll less than the entire withdrawn parcel in the succeeding five years.

Assuming that 5% of currently enrolled parcels would be affected by partial withdrawals and 3% of currently enrolled parcels would be withdrawn entirely, the education and municipal property taxes on withdrawn land would be about \$1.4 million in FY2016. Of this amount, about \$0.9 million would be education property taxes and the remainder, about \$0.5 million, would be municipal property taxes.

#### Municipal reimbursement for enrolled land

The FY2016 increase in municipal property tax revenue would also result in a \$0.5 million reduction in the municipal reimbursement that is paid from the state's general fund in FY2016. The reimbursement is equal to the difference between the municipal property tax based on appraised value and the municipal property tax based on use value and paid to towns in the following fiscal year.

### Current-law land use change tax on withdrawn land

Owners who choose to withdraw enrolled land by October 1, 2015 would be subject to the LUCT under current law. Under current law, the taxable value of withdrawn land would be its pro-rated fair market value at the time of withdrawal. The LUCT rate would be 10%. Assuming that only 5% of currently enrolled parcels are affected by partial withdrawals, the estimated increase in LUCT in FY2015 is very small.

Under the “easy out” provision, owners who choose to withdraw their entire parcel from use value appraisal by October 1, 2015 would be subject to the LUCT under current law; however, owners who withdraw their entire parcel would be relieved of the first \$100,000 of LUCT otherwise due. Assuming that no withdrawn parcel is large enough to trigger the LUCT under the easy out provision, full withdrawals would not affect LUCT revenue in FY2016.

### LUCT on land taxed at its use value after October 2015

After October 1, 2015, land withdrawn from use value appraisal would be subject the LUCT as modified in the bill. The taxable value of withdrawn land would be its fair market value at the time of withdrawal (or earlier if the owner wanted to discharge the tax lien). The LUCT rate would be

After an initial decline in receipts due to accelerated withdrawals from use value appraisal, the modified LUCT would yield an estimated \$2.6 to \$3 million annually. The new LUCT would be about three times the current-law LUCT.

H.272 would also provide that a change in ownership triggers a new holding period; however, changes in the form of ownership and transfers to family members would not interrupt the holding period.

Under the proposal, any LUCT assessed on land withdrawn from use value appraisal after October 1, 2015 would be shared equally between the municipality in which the enrolled land is located and the state’s general fund. Under current law, all LUCT revenue is dedicated to the general fund.