

Current Use Hold Harmless Payment Calculation Methodology

The Hold Harmless (HH) payment is made from the State of Vermont to 247 municipalities where taxpayers, residents or non-residents, have land enrolled in the Current Use (CU) program. The HH payment calculation does not currently utilize the Common Level of Appraisal (CLA). The CLA is a measure produced by Property Valuation & Review during the annual equalization study which represents the ratio between listed values and sales prices for 3 years of validated sales data. The CLA is not included in the HH payment calculation because the value established by municipalities for property taxation is not subject to the CLA and the current methodology is only intended to reimburse the municipality for foregone revenue due to land being enrolled in the CU program.

The HH payment amount for each municipality is calculated using an adjusted municipal tax rate which accounts for:

- The value of the Municipal Grand List (GL) if the Current Use (CU) exemption had been taxable.
- The total tax revenue which was computed by adding the previous year's HH payment to the municipal taxes.

Adjusted tax rate = (municipal taxes collected + previous HH payment) / (GL value of CU reduction + municipal GL)

HH payment = Adjusted tax rate * GL value of CU reduction

Example – Calculation of the Hold Harmless payment which will be distributed on November 1, 2016

Town X collected a municipal tax of \$300,000 based on the 2015 grand list and received a hold harmless payment of \$17,950. \$50,000 GL value of property is exempted by enrollment in the Current Use program for 2015 and the Town GL is \$600,000. This results in an adjusted tax rate of .4891 for Town X.

$$.4891 = (\$300,000 + \$17,950) / (\$50,000 + \$600,000)$$

The calendar year 2016 (FY17) HH payment for Town X is then the product of the GL value of the Current Use exemption.

$$\mathbf{\$24,455} = .4891 * \$50,000$$

Note: The GL value is equal to 1% of the fair market value of listed property