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H.800

Introduced by Representative Kimbell of Woodstock

Referred to Committee on

Date:

Subject: Taxation; statewide education property tax; valuation; adjusted basis

Statement of purpose of bill as introduced: This bill proposes to move the
statewide education property tax from a system that values taxable property at
its fair market value, to a system where property is valued at its adjusted basis.

The bill would also phase out income sensitivity over five years, prevent any
property from being newly enrolled in the current use program, and eliminate
the common level of appraisal.

An act relating to the valuation of taxable property in Vermont

It is hereby enacted by the General Assembly of the State of Vermont:

* * * Adjusted Basis * * *

Sec. 1. 32 V.S.A. § 3481 is amended to read:

§ 3481. DEFINITIONS

The following definitions shall apply in this Part and chapter 101 of this
title, pertaining to the listing of property for taxation:

(1)(A) “Appraisal value” shall mean;

1 (i) ~~with~~ With respect to property enrolled in a use value appraisal
2 program, the use value appraisal as defined in subdivision 3752(12) of this
3 title, multiplied by the common level of appraisal, ~~and with respect to all other~~
4 ~~property, except for owner-occupied housing identified in subdivision (C) of~~
5 ~~this subdivision (1), the estimated fair market value.~~

6 (ii) With respect to property subject to a tax stabilization
7 agreement under section 5404 of this title, the estimated fair market value. The
8 estimated fair market value of a property is the price that the property will
9 bring in the market when offered for sale and purchased by another, taking into
10 consideration all the elements of the availability of the property, its use both
11 potential and prospective, any functional deficiencies, and all other elements
12 such as age and condition ~~which~~ that combine to give property a market value.
13 Those elements shall include the effect of any State or local law or regulation
14 affecting the use of land, including 10 V.S.A. chapter 151 or any land
15 capability plan established in furtherance or implementation thereof, rules
16 adopted by the State Board of Health, and any local or regional zoning
17 ordinances or development plans. In determining estimated fair market value,
18 the sale price of the property in question is one element to consider, but is not
19 solely determinative.

20 (iii) With respect to all other property not specified in this section,
21 the adjusted basis value. The adjusted basis value means the acquisition cost

1 of the property, plus the value of improvements over \$10,000.00, adjusted for
2 inflation by a percentage of the consumer price index between the acquisition
3 or improvement date, and the assessment date.

4 * * *

5 Sec. 2. 32 V.S.A. § 4041 is amended to read:

6 § 4041. EXAMINATION OF PROPERTY; APPRAISAL

7 On April 1, the listers shall proceed to take up such inventories and make
8 such personal examination of the property ~~which~~ that they are required to
9 appraise as will enable them to appraise it at its ~~fair market~~ adjusted basis
10 value. When a board of listers is of the opinion that expert advice or assistance
11 is needed in making any appraisal required by law, it may, with approval of the
12 selectboard or by vote of the town, employ such assistance.

13 Sec. 3. CONFORMING REVISIONS

14 When preparing the cumulative supplements and replacement volumes of
15 the Vermont Statutes Annotated for publication, the Office of Legislative
16 Council shall change the term “fair market value” to “adjusted basis value” in
17 these supplements and volumes as needed for consistency with Secs. 1-2 of
18 this act, provided the revisions have no other effect on the meaning of the
19 affected statutes.

1 * * * Current Use Enrollment Freeze * * *

2 Sec. 4. 32 V.S.A. § 3755a is added to read:

3 § 3755a. NO NEW USE VALUE PROPERTY AFTER JULY 1, 2019

4 Notwithstanding any other provision of law, on and after July 1, 2019, the
5 Director shall neither accept nor approve any application to newly subject land
6 to a use value appraisal. Any land already subject to a use value appraisal
7 under this chapter on June 30, 2019 shall continue to be eligible for a use value
8 appraisal on and after July 1, 2019, provided the other requirements of this
9 chapter are met. Land subject to a use value appraisal prior to July 1, 2019 that
10 becomes ineligible for use value appraisal on or after July 1, 2019 shall not be
11 eligible to be again subject to use value appraisal after that date.

12 * * * Common Level of Appraisal * * *

13 Sec. 5. 32 V.S.A. § 5401 is amended to read:

14 § 5401. DEFINITIONS

15 As used in this chapter:

16 (1) ~~“Coefficient of dispersion” is the average absolute deviation~~
17 ~~expressed as a percentage of the median ratio, and for a municipality in any~~
18 ~~school year shall be determined by the Director of Property Valuation and~~
19 ~~Review as follows:~~

1 ~~(A) calculate the ratio of the listed value to the fair market value of~~
2 ~~each property used in determining the equalized education property value of~~
3 ~~the municipality as required by section 5406 of this title;~~

4 ~~(B) determine the median of the ratios calculated in subdivision (A)~~
5 ~~of this subdivision (1);~~

6 ~~(C) determine the absolute deviation of each ratio from the median~~
7 ~~ratio calculated in subdivision (B) of this subdivision (1);~~

8 ~~(D) calculate the average absolute deviation. [Repealed.]~~

9 (2) “Commissioner” means the Commissioner of Taxes.

10 (3) ~~“Common level of appraisal” means the ratio of the aggregate value~~
11 ~~of local education property tax grand list to the aggregate value of the~~
12 ~~equalized education property tax grand list. [Repealed.]~~

13 (4) “Director” means the Director of Property Valuation and Review.

14 (5) “Education property tax grand list” means the list of property
15 determined pursuant to section 5404 of this title. When the listed value of real
16 property for school tax purposes is adjusted by a board of civil authority or a
17 court, that board or court shall make a corresponding adjustment to the listed
18 value for purposes of taxation under this chapter.

19 (6) ~~“Equalized education property tax grand list” means one percent of~~
20 ~~the aggregate fair market value of all nonresidential and homestead property~~
21 ~~that is required to be listed at fair market value as certified during that year by~~

1 ~~the Director of Property Valuation and Review under section 5406 of this title,~~
2 ~~plus one percent of the aggregate value of property required to be listed at a~~
3 ~~value established under a stabilization agreement described under section~~
4 ~~5404a of this title, plus one percent of the aggregate use value established~~
5 ~~under chapter 124 of this title of all nonresidential property that is enrolled in~~
6 ~~the use value appraisal program. [Repealed.]~~

7 * * *

8 (11) “Education property value” means the aggregate ~~fair market~~
9 ~~listed~~ value of all nonresidential and homestead real property ~~that is required to~~
10 ~~be listed at fair market value as certified during that year by the Director of~~
11 ~~Property Valuation and Review under section 5406 of this title, plus the~~
12 aggregate value of property required to be listed at a value established under a
13 stabilization agreement described under section 5404a of this title, plus the
14 aggregate use value established under chapter 124 of this title of all
15 nonresidential real property that is enrolled in the use value appraisal program.

16 * * *

17 (15) “Property dollar equivalent yield” means the amount of spending
18 per equalized pupil that would result if the homestead tax rate were \$1.00 per
19 \$100.00 of ~~equalized~~ education property value, and the statutory reserves
20 under 16 V.S.A. § 4026 and section 5402b of this title were maintained.

21 * * *

1 Sec. 6. 32 V.S.A. § 5402c(e) is amended to read:

2 (e) Unless buildings and fixtures are taxed under this section, they shall
3 remain subject to taxation under section 5402 of this title. ~~Buildings and~~
4 ~~fixtures subject to the education property tax under this section shall not be~~
5 ~~taken into account in determining the common level of appraisal for the~~
6 ~~municipality.~~

7 Sec. 7. REPEALS

8 32 V.S.A. §§ 5405 (Determination of equalized education property tax
9 grand list and coefficient of dispersion), 5406 (Notice of fair market value and
10 coefficient of dispersion), 5407 (Valuation Appeal Board), and 5408 (Petition
11 for redetermination) are repealed.

12 Sec. 8. CONFORMING REVISIONS

13 When preparing the cumulative supplements and replacement volumes of
14 the Vermont Statutes Annotated for publication, the Office of Legislative
15 Council shall change the term “equalized education property value” to
16 “education property value” in these supplements and volumes as needed for
17 consistency with Secs. 3-5 of this act, provided the revisions have no other
18 effect on the meaning of the affected statutes.

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* * * Property Tax Adjustments * * *

Sec. 9. 32 V.S.A. § 6066(a) is amended to read:

(a) An eligible claimant who owned the homestead on April 1 of the year in which the claim is filed shall be entitled to an adjustment amount determined as follows:

(1)(A) For a claimant with household income of \$90,000.00 or more:

(i) the statewide education tax rate, multiplied by the equalized value of the housesite in the taxable year;

(ii) minus (if less) the sum of:

(I) the income percentage of household income for the taxable year; plus

(II) the statewide education tax rate, multiplied by the equalized value of the housesite in the taxable year in excess of ~~\$250,000.00~~ \$200,000.00.

(B) For a claimant with household income of less than \$90,000.00 but more than \$47,000.00, the statewide education tax rate, multiplied by the equalized value of the housesite in the taxable year, minus (if less) the sum of:

(i) the income percentage of household income for the taxable year; plus

1 (ii) the statewide education tax rate, multiplied by the equalized
2 value of the housesite in the taxable year in excess of ~~\$500,000.00~~
3 \$400,000.00.

4 (C) For a claimant whose household income does not exceed
5 \$47,000.00, the statewide education tax rate, multiplied by the equalized value
6 of the housesite in the taxable year, minus the lesser of:

7 (i) the sum of the income percentage of household income for the
8 taxable year plus the statewide education tax rate, multiplied by the equalized
9 value of the housesite in the taxable year in excess of ~~\$500,000.00~~
10 \$400,000.00; or

11 (ii) the statewide education tax rate, multiplied by the equalized
12 value of the housesite in the taxable year reduced by \$15,000.00.

13 * * *

14 Sec. 10. 32 V.S.A. § 6066(a) is amended to read:

15 (a) An eligible claimant who owned the homestead on April 1 of the year in
16 which the claim is filed shall be entitled to an adjustment amount determined
17 as follows:

18 (1)(A) For a claimant with household income of \$90,000.00 or more:

19 (i) the statewide education tax rate, multiplied by the equalized
20 value of the housesite in the taxable year;

21 (ii) minus (if less) the sum of:

1 (I) the income percentage of household income for the taxable
2 year; plus

3 (II) the statewide education tax rate, multiplied by the
4 equalized value of the housesite in the taxable year in excess of ~~\$200,000.00~~
5 \$150,000.00.

6 (B) For a claimant with household income of less than \$90,000.00
7 but more than \$47,000.00, the statewide education tax rate, multiplied by the
8 equalized value of the housesite in the taxable year, minus (if less) the sum of:

9 (i) the income percentage of household income for the taxable
10 year; plus

11 (ii) the statewide education tax rate, multiplied by the equalized
12 value of the housesite in the taxable year in excess of ~~\$400,000.00~~
13 \$300,000.00.

14 (C) For a claimant whose household income does not exceed
15 \$47,000.00, the statewide education tax rate, multiplied by the equalized value
16 of the housesite in the taxable year, minus the lesser of:

17 (i) the sum of the income percentage of household income for the
18 taxable year plus the statewide education tax rate, multiplied by the equalized
19 value of the housesite in the taxable year in excess of ~~\$400,000.00~~
20 \$300,000.00; or

1 (ii) the statewide education tax rate, multiplied by the equalized
2 value of the housesite in the taxable year reduced by \$15,000.00.

3 * * *

4 Sec. 11. 32 V.S.A. § 6066(a) is amended to read:

5 (a) An eligible claimant who owned the homestead on April 1 of the year in
6 which the claim is filed shall be entitled to an adjustment amount determined
7 as follows:

8 (1)(A) For a claimant with household income of \$90,000.00 or more:

9 (i) the statewide education tax rate, multiplied by the equalized
10 value of the housesite in the taxable year;

11 (ii) minus (if less) the sum of:

12 (I) the income percentage of household income for the taxable
13 year; plus

14 (II) the statewide education tax rate, multiplied by the
15 equalized value of the housesite in the taxable year in excess of ~~\$150,000.00~~
16 \$100,000.00.

17 (B) For a claimant with household income of less than \$90,000.00
18 but more than \$47,000.00, the statewide education tax rate, multiplied by the
19 equalized value of the housesite in the taxable year, minus (if less) the sum of:

20 (i) the income percentage of household income for the taxable
21 year; plus

1 (ii) the statewide education tax rate, multiplied by the equalized
2 value of the housesite in the taxable year in excess of ~~\$300,000.00~~
3 \$200,000.00.

4 (C) For a claimant whose household income does not exceed
5 \$47,000.00, the statewide education tax rate, multiplied by the equalized value
6 of the housesite in the taxable year, minus the lesser of:

7 (i) the sum of the income percentage of household income for the
8 taxable year plus the statewide education tax rate, multiplied by the equalized
9 value of the housesite in the taxable year in excess of ~~\$300,000.00~~
10 \$200,000.00; or

11 (ii) the statewide education tax rate, multiplied by the equalized
12 value of the housesite in the taxable year reduced by \$15,000.00.

13 * * *

14 Sec. 12. 32 V.S.A. § 6066(a) is amended to read:

15 (a) An eligible claimant who owned the homestead on April 1 of the year in
16 which the claim is filed shall be entitled to an adjustment amount determined
17 as follows:

18 (1)(A) For a claimant with household income of \$90,000.00 or more:

19 (i) the statewide education tax rate, multiplied by the equalized
20 value of the housesite in the taxable year;

21 (ii) minus (if less) the sum of:

1 (I) the income percentage of household income for the taxable
2 year; plus

3 (II) the statewide education tax rate, multiplied by the
4 equalized value of the housesite in the taxable year in excess of ~~\$100,000.00~~
5 \$50,000.00.

6 (B) For a claimant with household income of less than \$90,000.00
7 but more than \$47,000.00, the statewide education tax rate, multiplied by the
8 equalized value of the housesite in the taxable year, minus (if less) the sum of:

9 (i) the income percentage of household income for the taxable
10 year; plus

11 (ii) the statewide education tax rate, multiplied by the equalized
12 value of the housesite in the taxable year in excess of ~~\$200,000.00~~
13 \$100,000.00.

14 (C) For a claimant whose household income does not exceed
15 \$47,000.00, the statewide education tax rate, multiplied by the equalized value
16 of the housesite in the taxable year, minus the lesser of:

17 (i) the sum of the income percentage of household income for the
18 taxable year plus the statewide education tax rate, multiplied by the equalized
19 value of the housesite in the taxable year in excess of ~~\$200,000.00~~
20 \$100,000.00; or

1 (ii) the statewide education tax rate, multiplied by the equalized
2 value of the housesite in the taxable year reduced by \$15,000.00.

3 * * *

4 Sec. 13. 32 V.S.A. § 6066(a) is amended to read:

5 (a) An eligible claimant who owned the homestead on April 1 of the year in
6 which the claim is filed shall be entitled to an adjustment amount determined
7 as follows:

8 ~~(1)(A) For a claimant with household income of \$90,000.00 or more:~~

9 ~~(i) the statewide education tax rate, multiplied by the equalized~~
10 ~~value of the housesite in the taxable year;~~

11 ~~(ii) minus (if less) the sum of:~~

12 ~~(I) the income percentage of household income for the taxable~~
13 ~~year; plus~~

14 ~~(II) the statewide education tax rate, multiplied by the~~
15 ~~equalized value of the housesite in the taxable year in excess of \$50,000.00.~~

16 ~~(B) For a claimant with household income of less than \$90,000.00~~
17 ~~but more than \$47,000.00, the statewide education tax rate, multiplied by the~~

18 ~~equalized value of the housesite in the taxable year, minus (if less) the sum of:~~

19 ~~(i) the income percentage of household income for the taxable~~
20 ~~year; plus~~

1 ~~(ii) the statewide education tax rate, multiplied by the equalized~~
2 value of the housesite in the taxable year in excess of \$100,000.00.

3 ~~(C) For a claimant whose household income does not exceed~~
4 ~~\$47,000.00, the statewide education tax rate, multiplied by the equalized value~~
5 ~~of the housesite in the taxable year, minus the lesser of:~~

6 ~~(i) the sum of the income percentage of household income for the~~
7 ~~taxable year plus the statewide education tax rate, multiplied by the equalized~~
8 ~~value of the housesite in the taxable year in excess of \$100,000.00; or~~

9 ~~(ii) the statewide education tax rate, multiplied by the equalized~~
10 ~~value of the housesite in the taxable year reduced by \$15,000.00. [Repealed.]~~

11 * * *

12 * * * Effective Dates * * *

13 Sec. 14. EFFECTIVE DATES

14 (a) This section shall take effect on July 1, 2018.

15 (b) Secs. 1-3 (adjusted basis), 4 (current use), and 5-8 shall take effect on
16 July 1, 2018 and apply to grand lists lodged for fiscal year 2020 and after.

17 (c) Sec. 9 (income sensitivity) shall take effect on January 1, 2019 and
18 apply to claims filed for fiscal year 2020.

19 (d) Sec. 10 (income sensitivity) shall take effect on January 1, 2020 and
20 apply to claims filed for fiscal year 2021.

1 (e) Sec. 11 (income sensitivity) shall take effect on January 1, 2021 and
2 apply to claims filed for fiscal year 2022.

3 (f) Sec. 12 (income sensitivity) shall take effect on January 1, 2022 and
4 apply to claims filed for fiscal year 2023.

5 (g) Sec. 13 (income sensitivity) shall take effect on January 1, 2023 and
6 apply to claims filed for fiscal year 2024 and after.