

2016 Current Use (Use Value Appraisal) Program Preliminary Report: January 12, 2017

Vermont's Current Use (Use Value Appraisal) Program began in Tax Year 1980 with the enrollment of fewer than 120,000 acres. As of 2016, this number has soared to 2,456,637 acres and includes 14,905 landowners and 18,457 parcels (see Figure 1 and Figure 2 for details). Based upon ZIP codes of the owners, 4,254 of the 18,457 parcels are owned by out-of-state persons. The Vermont statute regulating the Current Use Program is found in 32 V.S.A. Chapter 124.

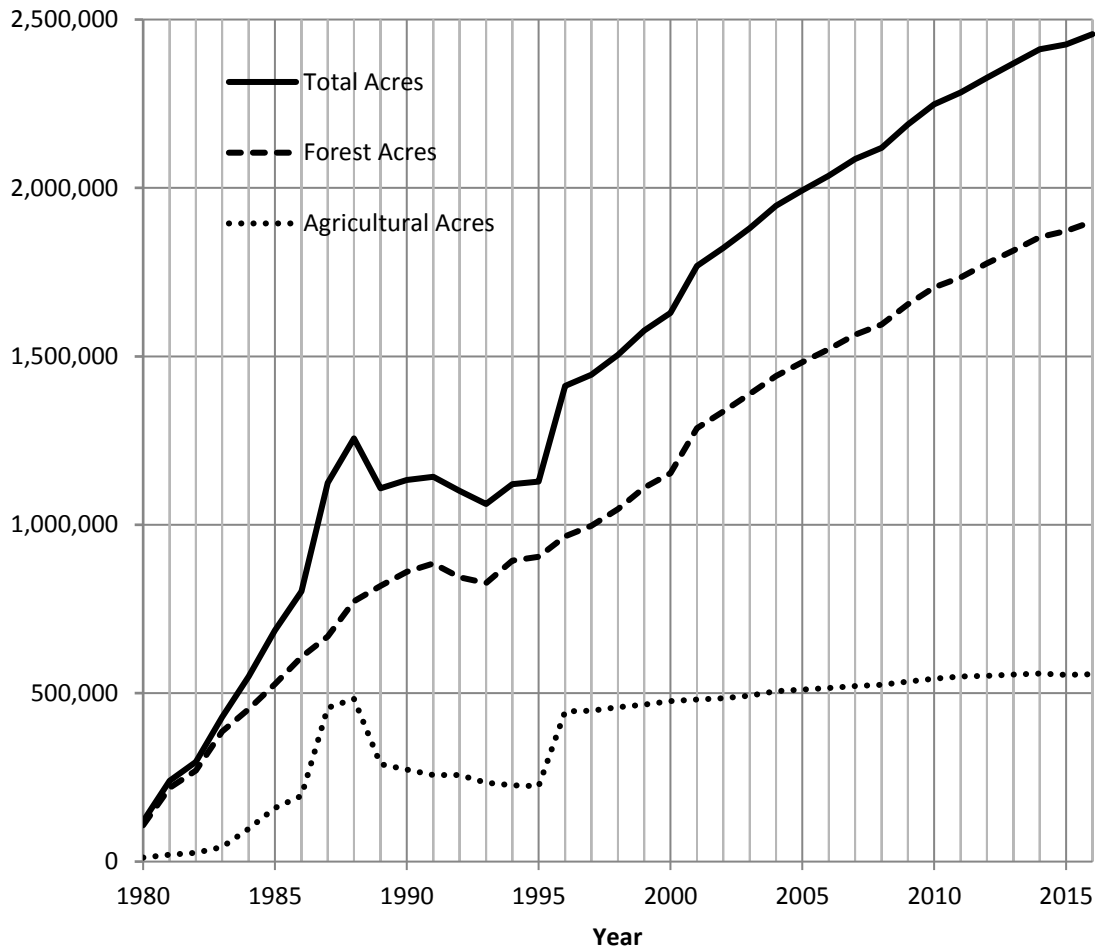


Figure 1. Annual Current Use Enrollment 1980-2016

The purposes of the program as defined by 32 V.S.A. § 3751 are to:

- Encourage and assist the maintenance of Vermont's productive agricultural and forest land;
- Encourage and assist in their conservation and preservation for future productive use and for the protection of natural ecological systems;
- Prevent the accelerated conversion of these lands to more intensive use by the pressure of property taxation at values incompatible with the productive capacity of the land;
- Achieve more equitable taxation for undeveloped lands;

- Encourage and assist in the preservation and enhancement of Vermont’s scenic natural resources, and to enable the citizens of Vermont to plan its orderly growth in the face of increasing development pressures in the interests of the public health, safety and welfare (32 V.S.A. § 3751).

Landowners may apply to have eligible land and farm buildings enrolled in the program. In return for agreeing to keep the property in agricultural and forest production, the owner pays property taxes based on *use value* rather than *fair market value*. Enrolled farm buildings are totally exempt from taxes. The municipalities receive an annual payment from the state, called the “Hold Harmless Payment,” to make up the difference between the municipal taxes paid at use value and the municipal taxes that would be paid on the assessed value of enrolled land and buildings.

Enrolled land is encumbered with a perpetual lien in favor of the State of Vermont in order to ensure payment of the LUCT should it ever become due. The Department of Taxes has a process where the state’s lien will be subordinated in favor of a mortgage. In 2016, the Department processed 189 subordinations up from 154 in the prior year.

Figure 2: Current Use Annual Enrollment

Tax Year	Parcels	Owners	Agricultural Acres	Forest Acres	Total Acres
2016	18,457	14,905	556,489	1,900,188	2,456,636
2015	18,154	14,653	554,078	1,872,070	2,426,149
2014	18,020	14,553	558,320	1,853,765	2,412,096
2013	17,647	14,246	555,234	1,814,585	2,369,819
2012	17,190	13,831	551,055	1,776,153	2,327,208
2011	16,724	13,469	549,601	1,734,012	2,283,613
2010	16,308	13,135	543,354	1,704,668	2,248,022
2009	15,642	12,570	534,275	1,654,295	2,188,810
2008	15,047	12,078	524,835	1,594,324	2,119,159
2007	14,640	11,721	521,381	1,564,321	2,085,702
2006	14,061	11,195	515,422	1,521,506	2,036,928

For those owners who qualify by making 50% of their gross annual income from the business of farming or who lease to someone who makes 50% of their gross annual income from the business of farming, farm buildings in active agricultural use can be enrolled in the program. This includes dwellings used for farm employee housing. By statute, the use value on these buildings is established at 0% of fair market value (32 V.S.A. § 3752(12)). For 2016, the value of farm buildings on a parcel enrolled in the program ranged from \$500 to over \$4.1 million for the 1,892 parcels that had enrolled farm buildings (Figure 3). The total assessed value of enrolled farm buildings for the 2016 tax year was \$286,186,203.

Figure 3: Recent Farm Building Enrollment

Year	Parcels with Farm Buildings	Listed Value of Farm Buildings
2016	1,892	\$286,186,203
2015	1,843	\$266,363,596
2014	1,879	\$272,374,020
2013	1,883	\$266,749,350
2012	1,857	\$257,446,331
2011	1,851	\$251,682,401
2010	1,972	\$255,515,511
2009	1,993	\$250,021,848

Use Values

The Current Use Advisory Board (CUAB) is charged with adopting rules, providing administrative oversight, and establishing use values. The CUAB meets annually to review data presented by the Agency of Agriculture, Food and Markets and by the Department of Forests, Parks and Recreation regarding the appropriate use values to be assigned for the next property tax year. The data is used to establish the use values for computing the taxes on enrolled land (see Figure 5). The net annual stumpage value per acre is a key component for forest land use value rate. Pasture and crop land rental values are the key component for agricultural land. Enrolled farm building use value is established in statute as 0% of the fair market value, so no taxes are paid by the landowner on these buildings.

Figure 5: Use Values

Tax Year	Forest Land Value per Acre	Forest Land Value Greater than One Mile from Road per Acre	Agriculture Land Value per Acre
2017	\$135	\$101	\$326
2016	\$135	\$101	\$306
2015	\$131	\$98	\$289
2014	\$118	\$89	\$279
2013	\$119	\$89	\$265
2012	\$123	\$92	\$254
2011	\$122	\$92	\$238
2010	\$122	\$92	\$215
2009	\$123	\$92	\$199
2008	\$136	\$102	\$187
2007	\$133	\$100	\$146
2006	\$127	\$95	\$146

Program Costs and Tax Saving

Tax savings to landowners climbed to more than \$60 million in 2016 (see Figure 6). The enrollment in the program also saw a steady increase both in parcels, owners, and acres enrolled except for the “easy-out” years in the 1990s and the slight decline in agricultural land enrollment for 2015 (see Figure 1). As the enrollment has climbed and landowners overall saved more in property taxes, the cost of the program has increased.

The “Municipal Tax Savings to Landowners” column in Figure 6 is the total municipal taxes saved by enrolled land owners and conversely the taxes not paid to the municipality by the landowner due to enrollment in the program. The state provides a “Hold Harmless Payment” to the municipality each year which makes up for the difference in the lost property taxes due to the prior year’s current use enrollment. The Hold Harmless payment in 1980 was just over \$400,000. In 2016, it was \$15 million. The calculations for each municipality’s hold harmless payment are available on the Department’s website at <http://tax.vermont.gov/content/reports-hold-harmless>.

The “Education Tax Savings to Enrolled Landowners” column in Figure 6 is the total statewide education taxes saved by enrolled land owners and conversely the forgone revenue to the state’s Education Fund. Forgone revenue means that these taxes are never paid into the Education Fund. In 2016, the forgone revenue to the Education Fund was \$45,247,428. The drop of \$551,923 from 2014 can be attributed to the Easy-out program which applied to the 2015 property tax year that began April 1, 2015. The value of the program to Vermont’s working landscape, relating industries, and environmental quality are not quantified here, but are viewed as significant.

Figure 6: Tax Savings to Landowners

Tax Year	Municipal Tax Savings to Enrolled Landowners	Education Tax Savings to Enrolled Landowners	Total Savings to Enrolled Landowners
2016	\$14,918,075	\$45,247,428	\$60,165,503
2015	\$14,519,248	\$44,609,223	\$59,128,471
2014	\$14,530,332	\$45,161,146	\$59,691,478
2013	\$13,890,827	\$43,110,537	\$57,001,364
2012	\$13,384,246	\$41,209,109	\$54,593,355
2011	\$12,549,456	\$40,668,894	\$53,218,350
2010	\$12,288,566	\$40,191,533	\$52,480,099
2009	\$11,585,297	\$37,385,819	\$48,971,116
2008	\$10,712,418	\$33,913,934	\$44,626,352
2007	\$9,728,409	\$29,797,654	\$39,526,063
2006	\$8,871,412	\$27,125,217	\$35,996,629
2005	\$8,078,698	\$24,901,872	\$32,980,570