

Land Gains Tax



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What is the Land Gains Tax?



- A tax on the realized capital gain from the transfer of Vermont land held for six years or less
- Passed in 193 by Governor Salmon
 - Designed to limit land speculation and provide relief to property tax payers.
- Title 32, Chapter 236

How is it calculated?



- First, determine whether it applies!
 - Major exemptions include:
 - ✦ Buildings (the tax only applies to land gains)
 - ✦ Property held for longer than six years
 - ✦ Leases
 - ✦ Principal residences (on up to 10 acres of land)
 - ✦ Gift transfers
 - ✦ Nonprofits
 - ✦ Agricultural land, if it is held for more than 6 years

How is it calculated?



- How is the value of the land appreciation calculated?
 - First, establish the basis
 - For land appreciation, there are two methods:
 - ✦ Get an appraisal (has to be certified by Tax Department)
 - ✦ Determine the amount of the appreciation attributable to land
 - Town listers generally break down value of property by land and improvements
 - Tax Department has guidance, usually it's about 25% of value

What are the rates?



Years Land Held by Transferor (Line 8c)	Gain, as a Percentage of Basis (Line 16)		
	0-99%	100%-199%	200% or more
Less than 4 months	60%	70.0%	80%
4 months, but less than 8 months	35%	52.5%	70%
8 months, but less than 1 year	30%	45.0%	60%
1 year, but less than 2 years	25%	37.5%	50%
2 years, but less than 3 years	20%	30.0%	40%
3 years, but less than 4 years	15%	22.5%	30%
4 years, but less than 5 years	10%	15.0%	20%
5 years, but less than 6 years	5%	7.5%	10%

Withholding Tax



- At the time of purchase, buyer is required to withhold 10% of purchase price as part of closing
- Seller then files a LGT return
 - If no tax is due, Tax Department issues a refund to the seller
 - If tax liability exceeds the 10%, seller is liable for difference
- **Example: Land purchased for \$100,000**
 - Seller receives \$90,000 and \$10,000 is withheld for LGT
 - Seller files LGT return.
 - If no tax is due, Tax Department issues refund of \$10,000 to seller.

How much money do we collect?



- 4285 Returns Filed
- 411 returns with tax due
- 73% of money paid by top 9% of filers

Tax Year	Land Gains Revenue
2018	\$1,660,764
2017	\$1,422,754
2016	\$1,237,153
2015	\$1,459,231
2014	\$1,245,566
2013	\$1,158,712
2012	\$783,868
2011	\$880,056
2010	\$600,065
2009	\$2,222,921

Bigger picture



- In theory, land gains revenue would track the value of the grand list in the state.
- As grand list increases, potential revenue stream grows and vice versa

Land Gains vs Grand List



Land Gains Tax Revenue Tracks Grand List

