

H.697 - An act relating to eligibility of reserve forestland for enrollment in the Use Value Appraisal Program

Committee on Ways and Means

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Outline

- Overview of Use Value Appraisal (UVA) Program
- Bill summary
- Fiscal Impact
- Relevant uncertainties and assumptions



Overview of the UVA program

- Allows eligible landowners to pay property taxes based on the property's "Use Value" instead of its fair market value
- Use Values are always lower than the fair market value
- Use Values exist for agriculture land and forest land
 - Under current law, the managed forest portion of UVA is designed to promote best practices for timber management and harvesting



Costs of the UVA program

Program cost:

- UVA program results in costs to the Education Fund and the General Fund
- In 2021, approximately 2.54 million acres were enrolled in UVA
- UVA program cost a total of \$66.61 million

UVA Costs 2008 - 2021

Tax Year	Municipal Tax Savings to Enrolled Landowners	Education Tax Savings to Enrolled Landowners	Total Savings to Enrolled Landowners
2021	\$17,237,387	\$49,377,071	\$66,614,458
2020	\$17,322,844**	\$49,179,608**	\$66,502,452**
2019	\$16,507,284	\$47,594,167	\$64,101,451
2018	\$16,195,274**	\$46,925,733**	\$63,121,007**
2017	\$15,553,999**	\$45,361,043**	\$60,915,042**
2016	\$14,530,332**	\$45,161,146**	\$59,691,478**
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

** These figures have been updated from prior year reports

Source: Vermont Department of Taxes, Annual Report based on 2021 Grand List Data (p. 23)



H.697 Bill Summary

Summary of bill:

“This bill proposes to authorize enrollment of reserve forestland in the Use Value Appraisal Program as a new category of managed forestland where active growing and harvesting of forest crops would not be required.”

Reserve forestland:

“Reserve forestland” means land that is managed for the purpose of attaining old forest values and functions in accordance with minimum acceptable standards for forest management and as approved by the Commissioner.

Old Forests:

“Old forests exhibit the following characteristics¹:

- 1. Native tree species characteristic of the forest type or natural community present in multiple ages; and*
- 2. Complex stand structures including a broad distribution of tree diameters, multiple vertical vegetative layers, abundant coarse woody material (reflecting the distribution of diameters of the standing trees) in all stages of decay, numerous large standing dead trees, and when old forest patches are sufficiently large, natural canopy gaps.”*

Note: 1.) According “Considerations for a Reserve Forestland Subcategory in Vermont’s Use Value Appraisal Program” report by Vermont Department of Forests, Parks, and Recreation



H.697 Fiscal Impact

- JFO estimates that in Fiscal Year 2024, this would reduce Education Fund revenues by approximately \$100,000 and by less than \$50,000 in General Fund revenues.
- Because JFO assumes that more parcels will join the program over the years, in 10 years JFO estimates this bill would approximately reduce Education Fund revenues by \$1.5 million, and by \$600,000 in the General Fund annually
- This estimate is subject to considerable uncertainty, due to a lack of information and insight



Relevant uncertainties and assumptions

There are a number of factors which remain unclear, and changing associated assumptions could lead to significantly different estimates

Eligible acreage

- 860,000 acres estimated to be eligible for the new reserve forestland category, all of which are currently eligible for enrollment in UVA¹
 - Approximately 630,000 acres are already enrolled in UVA and 230,000 acres are not enrolled
- To the extent that the number of eligible parcels varies, the impact may substantially change

Use Value

- A key incentive for enrolling in UVA is lower property taxes
- Assumes the Use Value of the new category of forestland would be the same Use Value as the other categories within managed forestland
- As drafted, the bill does not require the same Use Values for all forestland categories
- If the use value were to differ, the fiscal impact could significantly increase (or decrease) due to changes in enrollment incentives and/or cost per acre

Note: 1.) Estimate from 2021, “Considerations for a Reserve Forestland Subcategory in Vermont's Use Value Appraisal Program” report by Vermont Department of Forests, Parks, and Recreation



Relevant uncertainties and assumptions cont.

Enrollment

- The number of acres that would enroll in UVA as a result of the new management category is unclear
- The fiscal impact estimate assumes 25% will enroll, but this is shrouded in uncertainty
- A higher enrollment rate would result in a higher fiscal impact

Tax rates

- The estimate assumes tax rate growth in accordance with historical trends
- Higher tax rate growth would increase fiscal impact

Cost per acre

- Fiscal impacts of the bill are estimated using calculated 2020 cost per acre
- Cost per acre assumes 2020 property values, current use values, tax rates, and CLAs
- Any changes to those variables could significantly affect the estimated fiscal impact



Questions?



Sources

United States Department of Agriculture. 2018. “National Woodland Owner Survey Dashboard (NWOS-DASH)”. <https://ffrc.shinyapps.io/NWOSdashboard/>

Vermont Department of Forests, Parks and Recreation. January 14, 2022. “Considerations for a Reserve Forestland Subcategory in Vermont’s Use Value Appraisal Program”. <https://legislature.vermont.gov/Documents/2022/WorkGroups/House%20Natural/Use%20Value%20in%20Vermont/W~Michael%20Snyder~Vermont%20Department%20of%20Forests,%20Parks,%20and%20Recreation%20Report%20-%20Considerations%20for%20a%20Reserve%20Forestland%20Subcategory%20in%20Vermont's%20Use%20Value%20Appraisal%20Program~1-19-2022.pdf>

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