

1 H.687

2 Senators Cummings and Chittenden move that the Senate concur in the
3 House proposal of amendment to the Senate proposal of amendment with
4 further proposal of amendment as follows:

5 First: By striking out Sec. 73, 32 V.S.A. § 9602, in its entirety and inserting
6 lieu thereof the following:

7 Sec. 73. 32 V.S.A. § 9602 is amended to read:

8 § 9602. TAX ON TRANSFER OF TITLE TO PROPERTY

9 A tax is hereby imposed upon the transfer by deed of title to property
10 located in this State, or a transfer or acquisition of a controlling interest in any
11 person with title to property in this State. The amount of the tax equals one
12 and one-quarter percent of the value of the property transferred, or \$1.00,
13 whichever is greater, except as follows:

14 (1) With respect to the transfer of property to be used for the principal
15 residence of the transferee, the tax shall be imposed at the rate of five-tenths of
16 one percent of the first ~~\$100,000.00~~ \$200,000.00 in value of the property
17 transferred and at the rate of one and one-quarter percent of the value of the
18 property transferred in excess of ~~\$100,000.00~~ \$200,000.00; except that no tax
19 shall be imposed on the first ~~\$110,000.00~~ \$250,000.00 in value of the property
20 transferred if the purchaser obtains a purchase money mortgage funded in part
21 with a homeland grant through the Vermont Housing and Conservation Trust

1 Fund or that the Vermont Housing and Finance Agency or U.S. Department of
2 Agriculture and Rural Development has committed to make or purchase; and
3 tax at the rate of one and one-quarter percent shall be imposed on the value of
4 that property in excess of ~~\$110,000.00~~ \$250,000.00.

5 (2) [Repealed.]

6 (3) With respect to the transfer to a housing cooperative organized under
7 11 V.S.A. chapter 7 and whose sole purpose is to provide principal residences
8 for all of its members or shareholders, or to an affordable housing cooperative
9 under 11 V.S.A. chapter 14, of property to be used as the principal residence of
10 a member or shareholder, the tax shall be imposed in the amount of ~~five tenths~~
11 ~~of one~~ 0.5 percent of the first ~~\$100,000.00~~ \$200,000.00 in value of the
12 residence transferred and at the rate of ~~one and one-quarter~~ 1.25 percent of the
13 value of the residence transferred in excess of ~~\$100,000.00~~ \$200,000.00;
14 provided that the homesite leased by the cooperative is used exclusively as the
15 principal residence of a member or shareholder. If the transferee ceases to be
16 an eligible cooperative at any time during the six years following the date of
17 transfer, the transferee shall then become obligated to pay any reduction in
18 property transfer tax provided under this subdivision, and the obligation to pay
19 the additional tax shall also run with the land.

20 (4) Tax shall be imposed at the rate of 3.4 percent of the value of the
21 property transferred with respect to transfers of:

1 (A) residential property that is fit for habitation on a year-round
2 basis;

3 (B) will not be used as the principal residence of the transferee; and

4 (C) for which the transferee will not be required to provide a
5 landlord certificate pursuant to section 6069 of this title.

6 Second: By striking out Sec. 78, transfers; property transfer tax, in its
7 entirety and inserting in lieu thereof the following:

8 Sec. 78. TRANSFERS; PROPERTY TRANSFER TAX

9 Notwithstanding 10 V.S.A. § 312, 24 V.S.A. § 4306(a), 32 V.S.A.
10 § 9610(c), or any other provision of law to the contrary, amounts in excess of
11 \$32,954,775.00 from the property transfer tax shall be transferred into the
12 General Fund. Of this amount:

13 (1) \$6,106,335.00 shall be transferred from the General Fund into the
14 Vermont Housing and Conservation Trust Fund.

15 (2) \$1,279,740.00 shall be transferred from the General Fund into the
16 Municipal and Regional Planning Fund.

17 Third: By striking out Sec. 83a, 32 V.S.A. § 9603, in its entirety and
18 inserting in lieu thereof the following:

19 Sec. 83a. 32 V.S.A. § 9603 is amended to read:

20 § 9603. EXEMPTIONS

21 The following transfers are exempt from the tax imposed by this chapter:

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(27)(A) Transfers of abandoned dwellings that the transferee certifies will be rehabilitated for occupancy as principal residences and not as short-term rentals as defined under 18 V.S.A. § 4301(a)(14), provided the rehabilitation is completed and occupied not later than three years after the date of the transfer. If three years after the date of transfer the rehabilitation has not been completed and occupied, then the tax imposed by this chapter shall become due.

(B) As used in this subdivision (27):

(i) “Abandoned” means real estate owned by a municipality and acquired through condemnation or a tax sale, provided the real estate has substandard structural or housing conditions, including unsanitary and unsafe dwellings and deterioration sufficient to constitute a threat to human health, safety, and public welfare.

(ii) “Completed” means rehabilitation of a dwelling to be fit for occupancy as a principal residence.

(iii) “Principal residence” means a dwelling occupied by a resident individual as the individual’s domicile during the taxable year and for a property owner, owned, or for a renter, rented under a rental agreement other than a short-term rental as defined under 18 V.S.A. § 4301(a)(14).

1 As used in this subchapter:

2 (1) “Agency” means the Agency of Commerce and Community
3 Development as established under 3 V.S.A. § 2402.

4 (2) “Appraisal value” has the same meaning as in subdivision
5 3481(1)(A) of this title.

6 (3) “Exemption period” has the same meaning as in subsection 3871(d)
7 of this subchapter.

8 (4) “New construction” means the building of new dwellings.

9 (5) “Principal residence” means the dwelling occupied by a resident
10 individual as the individual’s domicile during the taxable year and for a
11 property owner, owned, or for a renter, rented under a rental agreement other
12 than a short-term rental as defined under 18 V.S.A. § 4301(a)(14).

13 (6)(A) “Qualifying improvement” means new construction or a physical
14 change to an existing dwelling or other structure beyond normal and ordinary
15 maintenance, painting, repairs, or replacements, provided the change:

16 (i) results in new or rehabilitated dwellings that are designed to be
17 occupied as principal residences and not as short-term rentals as defined under
18 18 V.S.A. § 4301(a)(14); and

19 (ii) occurred through new construction or rehabilitation, or both,
20 during the 12 months immediately preceding or immediately following
21 submission of an exemption application under this subchapter.

1 (B) “Qualifying improvement” does not mean new construction or a
2 physical change to any portion of a mixed-use building as defined under
3 10 V.S.A. § 6001(28) that is not used as a principal residence.

4 (7)(A) “Qualifying property” means a parcel with a structure that is:

5 (i) located within one-half mile of a designated downtown district,
6 village center, or neighborhood development area determined pursuant to 24
7 V.S.A. chapter 76A or a new market tax credit area determined pursuant to 26
8 U.S.C. § 45D, or both;

9 (ii) composed of one or more dwellings designed to be occupied
10 as principal residences, provided:

11 (I) none of the dwellings shall be occupied as short-term rentals
12 as defined under 18 V.S.A. § 4301(a)(14) before the exemption period ends;
13 and

14 (II) a structure with more than one dwelling shall only qualify
15 if it meets the definition of mixed-income housing under 10 V.S.A.

16 § 6001(27);

17 (iii) undergoing, has undergone, or will undergo qualifying
18 improvements;

19 (iv) in compliance with all relevant permitting requirements; and

20 (v) located in an area that was declared a federal disaster between
21 July 1, 2023 and October 15, 2023 that was eligible for Individual Assistance

1 from the Federal Emergency Management Agency or located in Addison or
2 Franklin county.

3 (B) “Qualifying property” may have a mixed use as defined under
4 10 V.S.A. § 6001(28).

5 (C) “Qualifying property” does not includes property located within
6 a tax increment financing district established under 24 V.S.A. chapter 53,
7 subchapter 5.

8 (8) “Rehabilitation” means extensive repair, reconstruction, or
9 renovation of an existing dwelling or other structure, with or without
10 demolition, new construction, or enlargement, provided the repair,
11 reconstruction, or renovation:

12 (A) is for the purpose of eliminating substandard structural, housing,
13 or unsanitary conditions or stopping significant deterioration of the existing
14 structure; and

15 (B) equals or exceeds a total cost of 15 percent of the grand list value
16 prior to repair, reconstruction, or renovation or \$75,000.00, whichever is less.

17 (9) “Taxable value” means the value of qualifying property that is taxed
18 during the exemption period.

19 § 3871. EXEMPTION

20 (a) Value increase exemption. An increase in the appraisal value of a
21 qualifying property due to qualifying improvements shall be exempted from

1 property taxation pursuant to this subchapter by fixing and maintaining the
2 taxable value of the qualifying property at the property's grand list value in the
3 year immediately preceding any qualifying improvements. A decrease in
4 appraisal value of a qualifying property due to damage or destruction from fire
5 or act of nature may reduce the qualifying property's taxable value below the
6 value fixed under this subsection.

7 (b) State education property tax exemption. The appraisal value of
8 qualifying improvements to qualifying property shall be exempt from the State
9 education property tax imposed under chapter 135 of this title as provided
10 under this subchapter. The appraisal value exempt under this subsection shall
11 not be exempt from municipal property taxation unless the qualifying property
12 is located in a municipality that has voted to approve an exemption under
13 subsection (c) of this section.

14 (c) Municipal property tax exemption. If the legislative body of a
15 municipality by a majority vote recommends, the voters of a municipality may,
16 at an annual or special meeting warned for that purpose, adopt by a majority
17 vote of those present and voting an exemption from municipal property tax for
18 the value of qualifying improvements to qualifying property exempt from State
19 property taxation under subsection (b) of this section. The municipal
20 exemption shall remain in effect until rescinded in the same manner the
21 exemption was adopted. Not later than 30 days after the adjournment of a

1 meeting at which a municipal exemption is adopted or rescinded under this
2 subsection, the town clerk shall report to the Director of Property Valuation
3 and Review and the Agency the date on which the exemption was adopted or
4 rescinded.

5 (d) Exemption period.

6 (1) An exemption under this subchapter shall start in the first property
7 tax year immediately following the year in which an application for exemption
8 under section 3872 of this title is approved and one of the following occurs:

9 (A) issuance of a certificate of occupancy by the municipal governing
10 body for the qualifying property; or

11 (B) the property owner's declaration of ownership of the qualifying
12 property as a homestead pursuant to section 5410 of this title.

13 (2) An exemption under this subchapter shall remain in effect for three
14 years, provided the property continues to comply with the requirements of this
15 subchapter. When the exemption period ends, the property shall be taxed at its
16 most recently appraised grand list value.

17 (3) The municipal exemption period for a qualifying property shall start
18 and end at the same time as the State exemption period; provided that, if a
19 municipality first votes to approve a municipal exemption after the State
20 exemption period has already started for a qualifying property, the municipal
21 exemption shall only apply after the vote and notice requirements have been

1 met under subsection (c) of this section and shall only continue until the State
2 exemption period ends.

3 § 3872. ADMINISTRATION AND CERTIFICATION

4 (a) To be eligible for exemption under this subchapter, a property owner
5 shall:

6 (1) submit an application to the Agency of Commerce and Community
7 Development in the form and manner determined by the Agency, including
8 certification by the property owner that the property and improvements qualify
9 for exemption at the time of application and annually thereafter until the
10 exemption period ends; and

11 (2) the certification shall include an attestation under the pains and
12 penalties of perjury that the property will be used in the manner provided under
13 this subchapter during the exemption period, including occupancy of dwellings
14 as principal residences and not as short-term rentals as defined under 18 V.S.A.
15 § 4301(a)(14), and that the property owner will either provide alternative
16 housing for tenants at the same rent or that the property has been unoccupied
17 either by a tenant's choice or for 60 days prior to the application. A
18 certification by the property owner granted under this subdivision shall:

19 (A) be coextensive with the exemption period;

1 (B) require notice to the Agency of the transfer or assignment of the
2 property prior to transfer, which shall include the transferee’s or assignee’s full
3 names, phone numbers, and e-mail and mailing addresses;

4 (C) require notice to any prospective transferees or assignees of the
5 property of the requirements of the exemption under this subchapter; and

6 (D) require a new certification to be signed by the transferees or
7 assignees of the property.

8 (b) The Agency shall establish and make available application forms and
9 procedures necessary to verify initial and ongoing eligibility for exemption
10 under this subchapter. Not later than 60 days after receipt of a completed
11 application, the Agency shall determine whether the property and any proposed
12 improvements qualify for exemption and shall issue a written decision
13 approving or denying the exemption. The Agency shall notify the property
14 owner, the municipality where the property is located, and the Commissioner
15 of Taxes of its decision.

16 (c) If the property owner fails to use the property according to the terms of
17 the certification, the Agency shall, after notifying the property owner,
18 determine whether to revoke the exemption. If the exemption is revoked, the
19 Agency shall notify the property owner, the municipality where the property is
20 located, and the Commissioner of Taxes. Upon notification of revocation, the
21 Commissioner shall assess to the property owner:

1 exemption and the grand list shall indicate whether the exemption applies to
2 the State property tax or both the State and municipal property taxes.

3 * * *

4 Sec. 82. REPEALS; NEW CONSTRUCTION OR REHABILITATION
5 EXEMPTION

6 The following are repealed on July 1, 2037:

7 (1) 32 V.S.A. § 3800(q) (statutory purpose); and

8 (2) 32 V.S.A. chapter 125, subchapter 3 (new construction or
9 rehabilitation exemption).

10 Sec. 83. 32 V.S.A. § 4152(a) is amended to read:

11 (a) When completed, the grand list of a town shall be in such form as the
12 Director prescribes and shall contain such information as the Director
13 prescribes, including:

14 * * *

15 (6) For those parcels that are exempt, the insurance replacement value
16 reported to the local assessing officials by the owner under section 3802a of
17 this title or what the full listed value of the property would be absent the
18 exemption and the statutory authority for granting such exemption and, for
19 properties exempt pursuant to a vote, the year in which the exemption became
20 effective and the year in which the exemption ends; ~~provided that, for parcels~~
21 ~~exempt under chapter 125, subchapter 3 of this title, the insurance replacement~~

1 ~~value shall not be substituted for the full listed value of the property absent the~~
2 ~~exemption and the grand list shall indicate whether the exemption applies to~~
3 ~~the State property tax or both the State and municipal property taxes.~~

4 Fifth: By striking out Sec. 114, effective dates, in its entirety and inserting
5 in lieu thereof the following:

6 Sec. 114. EFFECTIVE DATES

7 This act shall take effect on passage, except that:

8 (1) Secs. 12 (10 V.S.A. § 6001), 13 (10 V.S.A. § 6086(a)(8)), and 21
9 (10 V.S.A. § 6001) shall take effect on December 31, 2026;

10 (2) Sec. 19 (10 V.S.A. § 6001(3)(A)(xii)) shall take effect on July 1,
11 2026;

12 (3) Secs. 73 (property transfer tax rates) and 83a (property transfer tax
13 exemptions) shall take effect on August 1, 2024; and

14 (4) Sec. 83 (grand list contents, 32 V.S.A. § 4152(a)) shall take effect on
15 July 1, 2037.