

14 An act relating to an increased education property tax rate for certain  
15 residential properties

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

17 Sec. 1. 32 V.S.A. § 4152a is added to read:

18 § 4152a. PROPERTY TAX CLASSIFICATIONS

19 (a) The grand list of a town shall include one or more tax classifications for  
20 each parcel of real estate. A parcel shall be classified using one of the general

1       classes of real estate listed under subsection (b) of this section and based on the  
2       considerations set forth in this section and guidance provided by the Division  
3       of Property Valuation and Review. The listers and assessors shall annually  
4       update the grand list to include a tax classification not later than June 1 of  
5       every year, using information submitted to the Department of Taxes pursuant  
6       to this section. The tax classification may be updated after June 1 when a  
7       taxpayer files a, or corrects an erroneously filed, homestead declaration after  
8       June 1.

9       (b) A parcel shall be assigned one or more of the following general classes:

10       (1) homestead;  
11       (2) nonhomestead nonresidential;  
12       (3) nonhomestead residential; and  
13       (4) nonhomestead seasonal.

14       (c) As used in this section:

15       (1) “Homestead” means a parcel, or portion of a parcel, declared as a  
16       homestead on or before October 15 in accordance with section 5410 of this  
17       title for the current year.

18       (2) “Nonhomestead nonresidential” means a parcel, or portion of a  
19       parcel, that does not qualify as “homestead” or “nonhomestead residential”  
20       under this section.

1                   (3) “Nonhomestead residential” means a parcel, or portion of a parcel,  
2                   for which a homestead was not declared in accordance with section 5410 of  
3                   this title for the current year and that has a residential property, as defined by  
4                   the Commissioner by rule.

5                   (4) “Nonhomestead seasonal” means a parcel, or portion of a parcel, that  
6                   would qualify as “nonhomestead residential,” except the parcel has no  
7                   residential property fit for habitation on a year-round basis. The  
8                   Commissioner shall adopt rules further defining residential property fit for  
9                   habitation on a year-round basis.

10                  (d) A parcel with two or more portions qualifying for different tax  
11                  classifications under this section shall be classified proportionally based on the  
12                  percentage of floor space used.

13                  (1) In the case of a homestead with 25 percent or less of floor space used  
14                  for a business purpose, the parcel shall be classified as a homestead pursuant to  
15                  subdivision 5401(7)(F) of this title.

16                  (2) If a portion of floor space is used for more than one purpose, the use  
17                  for which the floor space is most often used shall be considered the primary  
18                  use, and the floor space shall be dedicated to that use for purposes of tax  
19                  classification.

1        (e) The Commissioner shall amend existing forms, and publish new forms,  
2        as needed to gather the necessary attestations and declarations required under  
3        this section.

4        (f) Nothing in this section shall be construed to alter the tax treatment or  
5        enrollment eligibility of property as it relates to use value appraisal under  
6        chapter 124 of this title.

7        (g) Persons aggrieved by a decision to classify property for taxation  
8        purposes under this section may appeal in the manner provided for property  
9        valuation appeals under this title.

10      Sec. 2. 32 V.S.A. § 4152 is amended to read:

11      § 4152. CONTENTS

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

15      (1) In alphabetical order, the name of each real property owner and each  
16      owner of taxable personal property.

17      (2) The last known mailing address of all such owners.

18      (3) A brief description of each parcel of taxable real estate in the town,  
19      including a classification assigned pursuant to section 4152a of this title.

20      “Parcel” As used in this subdivision, “parcel” means a separate and sellable lot

1       or piece of real estate. Parcels may be combined to represent all contiguous  
2       land in the same ownership, together with all improvements thereon.

3 \* \* \*

4 Sec. 3. 32 V.S.A. § 5402 is amended to read:

## 5 § 5402. EDUCATION PROPERTY TAX LIABILITY

17                   (3) The tax rate for nonhomestead residential property shall be \$2.00  
18                   multiplied by the education property tax spending adjustment for the  
19                   municipality per \$100.00 of equalized education property value as most  
20                   recently determined under section 5405 of this title. The Commissioner of  
21                   Taxes shall determine a nonhomestead residential education tax rate for each

1 municipality that is a member of a union or unified union school district using  
2 the same process as is used for homesteads under subsection (e) of this section.  
3 Nonhomestead residential property shall use the same property dollar  
4 equivalent yield as homesteads in the same municipality.

5 \* \* \*

6 Sec. 4. 32 V.S.A. § 5402b is amended to read:

7 § 5402b. STATEWIDE EDUCATION TAX YIELDS;

8 RECOMMENDATION OF THE COMMISSIONER

9 (a) Annually, not later than December 1, the Commissioner of Taxes, after  
10 consultation with the Secretary of Education, the Secretary of Administration,  
11 and the Joint Fiscal Office, shall calculate and recommend a property dollar  
12 equivalent yield, an income dollar equivalent yield, and a nonhomestead  
13 property tax rate for the following fiscal year. In making these calculations,  
14 the Commissioner shall assume:

15 \* \* \*

16 (4) the percentage change in the average education tax bill applied to  
17 nonhomestead nonresidential property and, the percentage change in the  
18 average education tax bill applied to nonhomestead seasonal property, the  
19 percentage change in the average education tax bill applied to nonhomestead  
20 residential property, the percentage change in the average education tax bill of  
21 homestead property, and the percentage change in the average education tax

1 bill for taxpayers who claim a credit under subsection 6066(a) of this title are  
2 equal;

3 \* \* \*

4 Sec. 5. 16 V.S.A. § 3444 is added to read:

5 § 3444. SCHOOL CONSTRUCTION AID SPECIAL FUND

6 (a) Creation. There is created the School Construction Aid Special Fund,  
7 to be administered by the Agency of Education. Monies in the Fund shall be  
8 used for the purposes of:

9 (1) awarding aid to school construction projects under section 3448 of  
10 this title;

11 (2) awarding grants through the Facilities Master Plan Grant Program  
12 established in section 3441 of this title;

13 (3) funding administrative costs of the State Aid for Capital  
14 Construction Costs program; and

15 (4) awarding emergency aid under section 3448 of this title.

16 (b) Funds. The Fund shall consist of:

17 (1) half of the revenue generated by education property tax imposed on  
18 nonhomestead residential properties;

19 (2) any amounts transferred or appropriated to it by the General  
20 Assembly; and

21 (3) any interest earned by the Fund.

1 Sec. 6. 16 V.S.A. § 4025 is amended to read:

2 § 4025. EDUCATION FUND

3 (a) The Education Fund is established to comprise the following:

4 (1) all revenue paid to the State from the statewide education tax on  
5 nonhomestead and homestead property under 32 V.S.A. chapter 135, except  
6 revenue deposited in the School Construction Aid Special Fund pursuant to  
7 subdivision 3444(b)(1) of this title;

8 \* \* \*

9 Sec. 7. PROPERTY TAX CLASSIFICATIONS; TRANSITION; DATA  
10 COLLECTION

11 (a) For calendar year 2027, the Commissioner of Taxes shall amend and  
12 create forms so that taxpayers report information on the use of their property  
13 for such property to be classified as homestead, nonhomestead residential,  
14 nonhomestead nonresidential, nonhomestead seasonal, or a proportional  
15 classification of those uses. The information collected, and classifications  
16 determined, shall align with the definitions and requirements of Sec. 1 of this  
17 act. The Commissioner shall use the information to determine and assign a tax  
18 classification for every grand list parcel and, on or before October 1, 2027, the  
19 Commissioner shall provide that information to the Joint Fiscal Office.

20 (b) On or before August 1, 2027, the Commissioner of Taxes shall publish  
21 guidance that interprets and explains the statutory definitions from Sec. 1 of

1       this act, which shall serve as the Department's official interpretation until the  
2       Commissioner adopts rules relating to the property classification system  
3       created by this act.

4       Sec. 8. EFFECTIVE DATES

5       (a) This section and Sec. 7 (transition provisions) shall take effect on  
6       passage.

7       (b) Secs. 1–6 (new property tax classifications and rates) shall take effect  
8       on January 1, 2028.