To: House Committee on Agriculture, Food Resiliency, and Forestry

From: Jamey Fidel, General Counsel and Forest and Wildlife Program Director, Vermont Natural Resources Council and Deb Brighton

Re: H.134/Proposal to Address the Administration of the Land Use Change Tax

Date: March 10, 2025

Thank you for the opportunity to testify on H.134. Lately, there has been interest in modifying the Land Use Change Tax (LUCT) in the Use Value Appraisal (UVA) Program to address administrative issues, and perhaps, to make it easier to withdraw land to address the housing crisis. One proposal (H.134) would change the LUCT so that a portion of a parcel that is removed is taxed based on the fair market of the withdrawn land prorated on the basis of the value of the larger parcel, versus as a standalone parcel.

When the UVA Program was enacted in 1978, the LUCT was based on a 10% assessment of the value of the developed land. This required the state Division of Property Valuation and Review to appraise each withdrawal, which quickly became cumbersome, expensive, and time consuming. To reduce the administrative burden, the LUCT was modified so that a partial withdrawal would be prorated based on the acreage of the entire amount of the enrolled property, versus as a stand-alone parcel. The problem with this modification is it severely diluted the LUCT. In the case of a partial withdrawal, the financial break-even point for enrolling and taking land out was as little as one year, and sometimes even less. The ability to park land temporarily in the program was seen as a major policy problem.

During the 2009-2010 biennium, the State of Vermont was facing a budget shortfall. A three-year moratorium on UVA enrollment was proposed to save the state money. In response, representatives from Vermont Land Trust, the Farm Bureau, Vermont Natural Resources Council, Vermont Woodlands Association, the Nature Conservancy, Rural Vermont, and Audubon Vermont, working with Deb Brighton, advocated for the ability to study ways to find savings without compromising the integrity the UVA Program. The result of that study (attached) was eventual legislation modifying the LUCT to the current formula.

The rationale for shifting to the current formula is that only land that is intended for long-term productive management should be enrolled in Current Use. The primary purpose of the LUCT is to deter the short-term enrollment or parking of land that an owner intends to develop. When landowners enroll property in Current Use, they should decide which land they want to enroll, and which land they may intend to develop. This is important because the State of Vermont cannot afford to allow landowners to move land in and out of the program without some kind of reasonable break-even point to cover the investment of substantially lowering a landowner's property taxes.

When the policy was made to shift to an average break-even rate of 6-7 years, another benefit to going with 10% fair market valuation of the withdrawn parcel as a standalone parcel was that the revenue would be split between municipalities and the state. Sharing the cost with municipalities would help cover the cost of appraisals; however, one downside is this has caused a delay in the administration of

the program. Rather than reverting to the weaker LUCT to address this issue as proposed in H.134, we support the option outlined below which attempts to keep the original intent of the LUCT, while providing the administrative simplicity of the proration option.

Proposal:

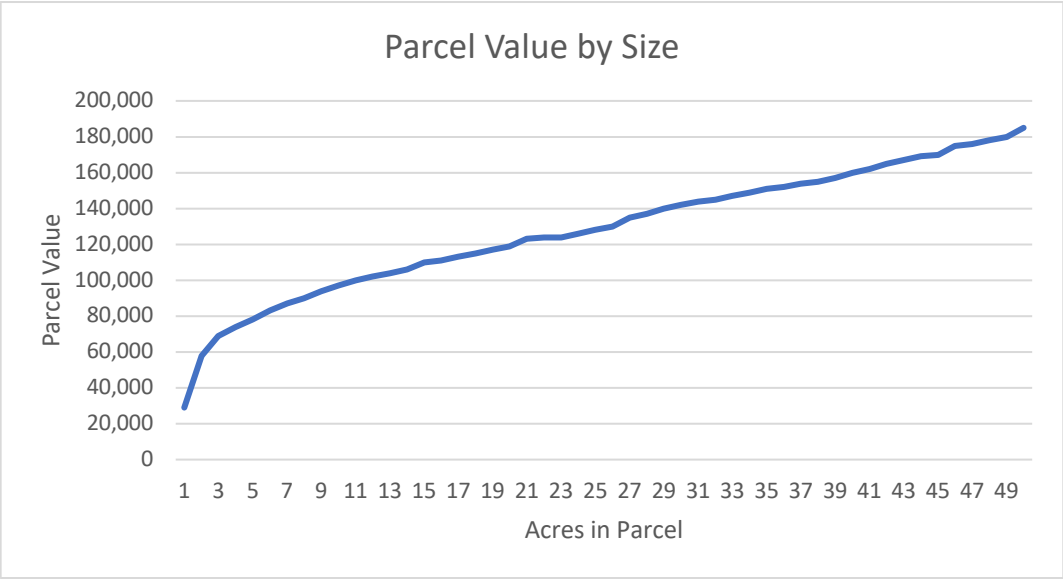
Ideally, the Land Use Change Tax should be:

- a deterrent to parking land in the program for a short time;
- a deterrent to easily allowing the breaking up and/or fragmentation of enrolled land;
- related to the value of the land (and therefore tax savings), and
- easy to calculate and administer.

This proposal is an attempt to do that by substituting a simple calculation for the current property appraisal. A table, such as the one attached, could be used to determine the value of a withdrawn land as a proportion of the value of the enrolled land.

The table would be based on the methods used to appraise land in Vermont. Town property appraisals usually rely on a "land schedule" to determine land values, based on the concept that the per-acre value decreases as the parcel acreage increases. The chart below is a typical example.

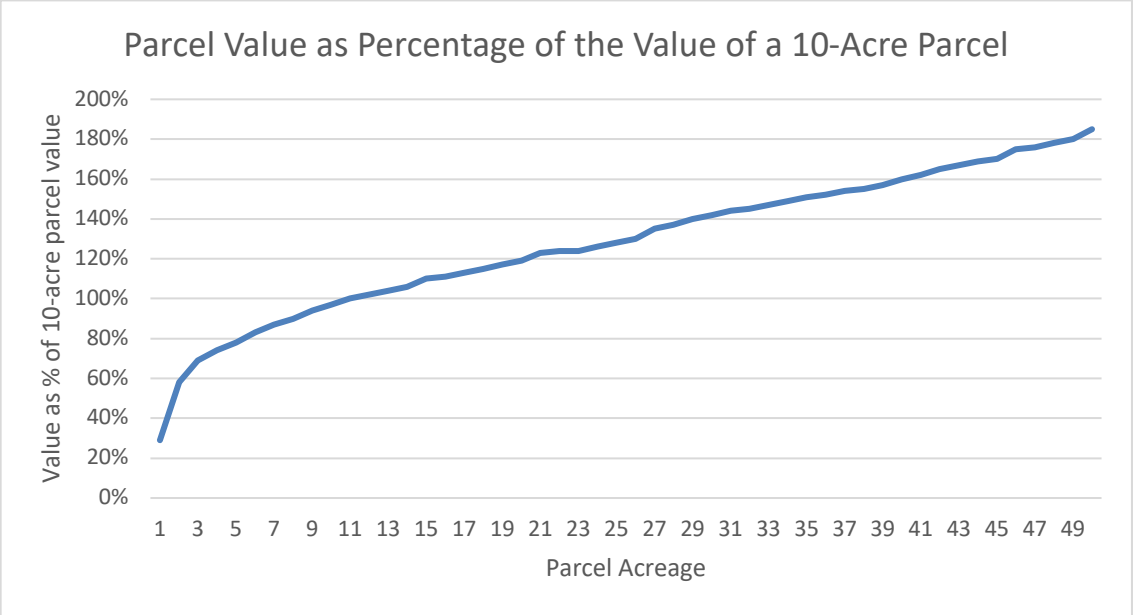
Chart 1.



For example, in the town represented by the chart above, the average 2-acre parcel is valued at $58,000 and the average 27-acre parcel is valued at $135,000.

Chart 2, using the same data, shows the relationship between parcel values, as opposed to the actual values. In this case, we have chosen the average value of a 10-acre parcel as a reference point, and the values of parcels of larger and smaller acreage are plotted as percentages of the 10-acre value. The chart could be used, for example, to determine that the average 2-acre parcel is 58% of the value of the average 10-acre parcel, and the average value of a 27-acre parcel is 135% of the average value of a 10-acre parcel. From there we can calculate that the 2-acre parcel is 43% of the value of the 27-acre parcel (58%/135%=43%).

Chart 2.



While land values may vary significantly from town to town and from year to year, the pattern is fairly constant. This would allow us to estimate the value of a subdivided portion of a parcel, by locating the acreage of the whole parcel and of the portion to be subdivided on the chart and calculating the value of the portion removed as a percentage of the value of the whole parcel.

It would be easier to have a simple online calculator, or a table such as the one attached, to allow a landowner to calculate the Land Use Change Tax before withdrawing land. The calculator or table could be developed with the assistance of the Department of Taxes and the Division of Property Valuation and Review (PVR) and hosted on online.

For example, a 2-acre withdrawal from an enrolled 27-acre parcel would be valued at 43% of the 27-acre parcel value. Assuming the 27-acre parcel were valued at $135,000, and the land use change tax remains 10% of the value of the withdrawn land, the land use change tax would be:
$135,000 X 43% X 10% = $5,805.

For reference, the land use change tax on the 2 acres would be $1,350 if it were based on the average per acre value of the enrolled land.

Table for Calculating the Value of Withdrawn Acres as a Percentage of the Value of the Enrolled Acres

Withdrawn acres / Acres enrolled	1	2	3	4	5	6	7	8	9	10
1	100%									
2	50%	100%								
3	42%	84%	100%							
4	39%	78%	93%	100%						
5	37%	74%	88%	95%	100%					
6	35%	70%	83%	89%	94%	100%				
7	33%	67%	79%	85%	90%	95%	100%			
8	32%	64%	77%	82%	87%	92%	97%	100%		
9	31%	62%	73%	79%	83%	88%	93%	96%	100%	
10	30%	60%	71%	76%	80%	86%	90%	93%	97%	100%
11	29%	58%	69%	74%	78%	83%	87%	90%	94%	97%
12	28%	57%	68%	73%	76%	81%	85%	88%	92%	95%
13	28%	56%	66%	71%	75%	80%	84%	87%	90%	93%
14	27%	55%	65%	70%	74%	78%	82%	85%	89%	92%
15	26%	53%	63%	67%	71%	75%	79%	82%	85%	88%
16	26%	52%	62%	67%	70%	75%	78%	81%	85%	87%
17	26%	51%	61%	65%	69%	73%	77%	80%	83%	86%
18	25%	50%	60%	64%	68%	72%	76%	78%	82%	84%
19	25%	50%	59%	63%	67%	71%	74%	77%	80%	83%
20	24%	49%	58%	62%	66%	70%	73%	76%	79%	82%
21	24%	47%	56%	60%	63%	67%	71%	73%	76%	79%
22	23%	47%	56%	60%	63%	67%	70%	73%	76%	78%
23	23%	47%	56%	60%	63%	67%	70%	73%	76%	78%
24	23%	46%	55%	59%	62%	66%	69%	71%	75%	77%
25	23%	45%	54%	58%	61%	65%	68%	70%	73%	76%
26	22%	45%	53%	57%	60%	64%	67%	69%	72%	75%
27	21%	43%	51%	55%	58%	61%	64%	67%	70%	72%
28	21%	42%	50%	54%	57%	61%	64%	66%	69%	71%
29	21%	41%	49%	53%	56%	59%	62%	64%	67%	69%
30	20%	41%	49%	52%	55%	58%	61%	63%	66%	68%