

MEMO TO: Legislators, State Agencies, Municipalities, Enrolled Landowners and Other Stakeholders Interested in Use Value Appraisal

FROM: Put Blodgett, Vermont Woodlands Association
Darby Bradley and Carl Powden, Vermont Land Trust
Jamey Fidel, Vermont Natural Resources Council
Jackie Folsom, Vermont Farm Bureau
Bob Klein, Vermont Nature Conservancy
Brian Moyer, Rural Vermont
Jim Shallow, Audubon Vermont

SUBJECT: A Report on Options for Improving the Effectiveness, Efficiency and Fairness of Use Value Appraisal and Reducing Expenditures or Increasing Revenues by at least \$1.6 million in FY2011.

DATE: September 8, 2009

Introduction. In the closing weeks of the 2009 legislative session, a series of proposals emerged in the Legislature that would have significantly altered the method by which some lands currently enrolled in use value appraisal (commonly referred to as “Current Use”) would be taxed. While the Legislature was pursuing the laudable goal of balancing a budget under very trying circumstances, the organizations listed above, and other partners, realized that these proposals could significantly undermine one of the foundations of Vermont’s land policy: the taxation of agricultural, forestry and conservation lands at their “use value” rather than their development value. The groups and other partners argued, successfully in the end, that before the Legislature makes major changes to Current Use, it should thoughtfully think through the alternatives and weigh their benefits, costs and consequences on Vermont’s working landscape and the economic, environmental and cultural benefits which it provides.

The memorandum is the preliminary report that this group initiated almost as soon as the Legislature adjourned in May. We have identified a number of major problems, which hamper the effectiveness and increase the cost of Current Use. As the Legislature directed in 2009 budget bill,¹ we have considered the pros and cons of different alternatives for reducing expenditures or increasing revenues by \$1.6 million in FY2011. Ultimately, for the reasons explained, we rejected all of these short-term options. **Finally, this memorandum presents a**

¹ **No. 54. The Vermont Recovery and Reinvestment Act of 2009**

Sec. 81. CURRENT USE FOR FISCAL YEAR 2011

In response to current economic conditions, there is a need in the fiscal year 2011 budget to adjust the use value appraisal program to achieve \$1,600,000.00 in savings or in increased revenues. Multiple strategies will be considered to achieve this goal, with recommendations to be discussed by the joint fiscal committee at their November 2009 meeting.

series of reforms which, as a package, would strengthen the long-term effectiveness, efficiency and fairness of Current Use, while meeting the Legislature’s \$1.6 million target.

This memorandum does not represent the position of our respective organizations. It was prepared as a working paper by a small group of organization representatives. In the weeks and months ahead, these ideas and proposals will be examined not only by our respective directors and boards, but by legislators, state agencies, landowners, towns and other stakeholders. Our hope is that by the time the Legislature reconvenes in January, we will be able to build a consensus around a package of reforms to Current Use that not only addresses the State’s short-term target, but ensures that Current Use will remain a stable part of Vermont’s land use policies for the long term.

In making these proposals for changes to Current Use, we have been guided by three criteria:

- **Effectiveness.** To further the goals stated in the Current Use law² and ensure that it remains a stable part of Vermont’s land use policies.
- **Efficiency.** To improve the efficiency of Current Use by making it easier for state agencies and municipalities to administer and easier for enrolled landowners to comply with its requirements.
- **Fairness.** To ensure that the costs and benefits of Current Use are distributed fairly among landowners, municipalities and the State, so that landowners pay a fair share of the burden of property taxes, municipalities are able to pay for public services provided to landowners and enrolled lands, and the State expenditures are directed at achieving a fair balance of burdens and benefits across Vermont.

While Current Use is usually referred to as a “program”, it is in reality a fundamental policy to tax productive and other open space lands at their “use” value rather than their development value. Current Use was enacted in 1978 when the Legislature was forcing towns, under threat of reduced state aid to education payments, to assess land at its full fair market (development) value. The Legislature recognized that this would substantially increase the property tax on farms and other working lands. Use value appraisal was adopted to mitigate that effect, prevent accelerated conversion of open space to development, achieve tax fairness, and help preserve Vermont’s rural character. Current Use is one of the foundation blocks underlying Vermont’s working landscape. Without a stable and predictable property tax policy, people will not make the long-term investments in land upon which our agricultural, forestry and tourism industries depend and which contribute so much to the economic, environmental and cultural vitality of this

² “The purpose of this subchapter is to encourage and assist the maintenance of Vermont’s productive agricultural and forest land; to encourage and assist in their conservation and preservation for future productive use and for the protection of natural ecological systems; to prevent the accelerated conversion of these lands to more intensive use by the pressure of property taxation at values incompatible with the productive capacity of the land; to achieve more equitable taxation for undeveloped lands; to encourage and assist in the preservation and enhancement of Vermont’s scenic natural resources; and to enable the citizens of Vermont to plan for its orderly growth in the face of increasing development pressures in the interests of the public health, safety and welfare.” Title 32, Vermont Statutes Annotated, Section 3751”

state. Vermonters have repeatedly placed the preservation of that working landscape at the top of their priority list (see the final report of the Council on the Future of Vermont entitled “*Imagining Vermont: Values and Vision for the Future*”, produced by the Vermont Council on Rural Development, Spring 2009).

We are especially indebted to **Deb Brighton** of Salisbury, whose knowledge of Vermont’s property tax systems and ability to analyze multiple options and scenarios kept our deliberations and brainstormings grounded in reality. Because of her participation in our work, we hope that this report will produce much more light than smoke. We also wish to thank **Dale Azaria** of Burlington for her work in analyzing current use in New Hampshire, which is quite similar in structure to Vermont’s law, and highlighting how New Hampshire has avoided some of the pitfalls that Vermont has experienced.

Problem Statements. Before the group addressed potential changes to Current Use, it discussed a number of problems that exist in the current structure and administration of the law. Some of these had previously been identified by the 2007 Use Value Appraisal Task Force, but were not addressed in the 2008 legislative changes made to Current Use. Other problems were not addressed in either forum.

Level of “Use” Values. One of the major tensions that exists over Current Use is the perception that use values are set too low, giving landowners too great a benefit by enrolling their lands and leaving municipalities and the State with diminished revenues. In 1980, when Current Use first went into effect, the average reduction in assessment was 70%. Today, the average reduction is 88%, and in some instances more than 98%, leading to a perception of unfairness.

That perception fails to acknowledge that the primary purpose of Current Use is to tax land that is actively devoted to agricultural and forest production, not at its development value, but at a value which reflects the income that can be generated from that management. While land values have escalated dramatically over the past 30 years, forestland use values have remained flat, and agricultural use values have actually declined. In 1980, the first year Current Use went into effect, the forestland use value was \$146 per acre in 2008 dollars; in 2009, it was \$143. For agricultural land, the use value was \$444 per acre in 2008 dollars; today, it is \$199. The owners of Vermont’s working landscape are getting a lower return on investment – and in the case of farmland, a much lower return – than they were twenty-nine years ago.

Inequity in municipal tax reimbursements. In 1978, when the current use legislation was first enacted, the Legislature decided that the State should reimburse towns for any lost taxes due to enrollments, because current use taxation resulted in public benefits that extended beyond the borders of an individual town. After the adoption of a statewide property tax to fund education in 1997, the reimbursement was limited to lost municipal taxes. In 1980, the State’s reimbursements for both education and municipal taxes was \$400,466. In FY2010, due to increased enrollments and vastly higher land values, the reimbursement for municipal taxes alone now totals \$10.7 million. While the cost of providing roads, police and fire protection has certainly grown, there is no question that undeveloped lands require far fewer services than developed lands. In addition, while the cost of services for undeveloped land may vary from

community to community, it by no means varies as much as the State's reimbursement payments would indicate. For example, one Chittenden County town received \$3.43 per acre of enrolled land while a neighboring community received over ten times that amount (\$35.85 per acre). Similar, although less dramatic disparities occur throughout Vermont, even among towns that are similar in size and development. (See Appendix B.) The formula for distributing the State's appropriation for municipal services should be revised to provide greater equity.

Chronic over-valuation of some enrolled lands. Although there is no comprehensive study, we know from growing anecdotal evidence that some towns are significantly overvaluing enrolled lands, leading to higher reimbursement rates and greater cost to the State. The problem is particularly apparent when enrolled land is placed under conservation easement, and the town makes no adjustment to the assessed value. In one Upper Valley town, for example, a 70 acre parcel in which all non-agricultural development rights are removed is valued at almost \$13,000 per acre. A more realistic valuation of \$1,500 per acre would save the State \$2,000 in reimbursements in this one instance. In other communities, valuations have been reduced by 40%, 50% and more, when property owners appealed their assessments. In most cases, however, landowners don't appeal because their taxes are based upon use values, and they are not affected financially. Because the State has too little staff to monitor these situations, most over-valuations go unchecked.

The Land Use Change Tax is not based on fair market values. When a parcel of enrolled land is "developed" (which includes creating a subdivision of less than 25 acres or harvesting timber contrary to the forest management plan), the landowner pays a Land Use Change Tax (LUCT) on the developed portion. When the Legislature enacted Current Use in 1978, the LUCT was set at 10% of the fair market value of the developed parcel, and was collected by the State. Problems arose when buyers and sellers at a closing would call the State to see much LUCT was owed. They were told they would need an appraisal, which delayed the closing and added to the State's expenses. To alleviate this administrative bottleneck, Vermont went to a system of prorating the town's assessment for the developed land, and collecting a LUCT of 20% (for lands enrolled less than ten years) or 10% (for land enrolled longer than 10 years). This broke the bottleneck, but severely penalized LUCT collections.

New Hampshire uses the same 10% of FMV of the developed parcel with which Vermont started. However, instead of administering the LUCT at the state level, New Hampshire lets the towns determine the value of the developed land and collect and keep the money locally. The result is that in most cases sellers and listers quickly work out how much payment should be. If there is any disagreement, the parties can still close and appeal the matter through normal channels.

The difference in overall LUCT collections is startling. In New Hampshire, towns collected \$22 million in LUCT payments in 2005 and \$16 million in 2006. For those same years, Vermont collected only \$840,000 and \$644,000 respectively. While some of the disparity is due to higher land values in New Hampshire, especially in southern sections, even in northern Coos County, the collections were significantly higher than Vermont's, because they reflected actual fair market values rather than pro-rated values.

Restricting access to enrolled land for public recreation. One continuing irritant over Current Use is that landowners can buy a tract of land, enroll it in Current Use, and then post it against hunting and other traditional forms of public recreational use. The original Current Use legislation did not address the issue of public recreation. A subsequent amendment disallowed eligibility for lands managed as a private, for-fee hunting preserve, but otherwise landowners are free to restrict public access. In contrast, New Hampshire offers a 20% reduction in use values to landowners who keep their land open for pedestrian recreational use. In looking at reforms to Current Use, the Legislature may consider whether Vermont should provide a similar incentive. While a number of the participants in the group had reservations about introducing this change at this time, they agreed that the issue should remain on the table for further consideration.

Inadequate staffing. This was an issue identified and labeled as a very high priority by the 2007 Use Value Appraisal (UVA) Task Force, but was not addressed in the 2008 legislation. Because of the budget crisis, the situation has become much worse with the layoff or retirement of three of the four Current Use administrators in the Tax Department and one county forester in FP&R. This problem must be addressed if Current Use is to function effectively, efficiently and fairly in the long term. To the extent some of the proposals in this report generate new revenues to the State, the budget process must ensure that adequate funding is provided to staff Current Use.

Electronic Administration. This too was identified as a critical need by the 2007 UVA Task Force. Since that report was issued, the Tax Department, Towns, Department of Forests, Parks and Recreation and Department of Information and Innovation have made significant improvements in the electronic coordination and exchange of information. Still, more needs to be done, particularly in the area of electronic mapping. While an increasing number of maps are now being submitted in GIS format and the capability for producing these maps is becoming more widespread, the vast majority of maps in the files are still in paper form and of varying quality. This makes it more difficult to administer Current Use (eg, determine what land has been excluded from enrollment, or what land is being developed and is subject to a LUCT), as well as to gather and analyze data about enrolled lands. This issue must be addressed, if Current Use is to be brought into the 21st century.

III. An Outline for Comprehensive Reform. It has been more than thirty years since Current Use was established. Not surprisingly, there are systemic problems that need attention. In all likelihood, any approach that meets the Legislature's fiscal target will result in a substantial modification in the Current Use contract, enabling landowners to withdraw some or all of their land without penalty. The Legislature must avoid a situation where a new major change occurs every few years, allowing owners multiple opportunities to withdraw. The Legislature might also consider, as part of the package of reforms, including a provision that land that is withdrawn may not be re-enrolled for a period of years. Now is the time for the Legislature to take action that ensures Current Use will remain a fundamental part of Vermont's land policy and ethic.

During the course of its deliberations, the group considered, but ultimately rejected, a number of options aimed primarily at the goal of reducing expenditures or increasing revenues by \$1.6 million in FY2011. Each of these options is described in Appendix A, along with our assessment of their pros and cons. In the end, we concluded that these options would do little to improve the

effectiveness, efficiency and fairness of Current Use, which should be the goal of any reform package. While the group wants to achieve the Legislature's financial target, it seeks to do so in the context of stabilizing and strengthening Current Use.

The ideas that are presented here should be examined as a package. While each individual proposal addresses one or more of the identified problems, it leaves others untouched. Only by considering the proposals together can the Legislature address its revenue concerns, while achieving greater effectiveness, efficiency and fairness for landowners, municipalities and the State.

1. Addressing the \$1.6 million problem - Increase the Current Use Homestead Exclusion to Five Acres. Having considered and rejected options to include an "amenity" value or "means" testing as administratively unworkable (see Appendix A), the group examined the alternative of increasing the exclusion around dwellings from two to five acres. Under current law, landowners must exclude at least two acres around any dwelling. Increasing the exclusion to five acres would leave more land on the grand list at full fair market (development) value, thereby increasing both local and state revenues. We estimate that if this change applied to all dwellings, education fund revenues would increase by approximately \$2 million and local municipal taxes by approximately \$600,000 in FY2011. If farm dwellings were exempted from the additional acreage requirement, state and local revenues would increase by \$1.6 million and \$500,000 respectively. Because of the one-year delay in the State's reimbursements to towns, the State's expenditure from the General Fund would not fall by \$600,000 or \$500,000 until FY2012.

The group noted two potential impacts of implementing this change. First, landowners with homestead exclusions of less than five acres would be entitled to withdraw and even develop the additional acreage without penalty. Second, the change would leave landowners who have enrolled parcels of less than 30 acres with a dwelling in a potential box. If they must exclude five acres, the remainder of the parcel may no longer be eligible, because it fails to reach the 25-acre minimum.

The group's proposal to address the latter problem is to allow the landowner to include part of the excluded homestead in the management plan, if that is necessary to satisfy the 25-acre minimum. For example, if a landowner owns a house and 27 acres, 22 acres would still be eligible for use value appraisal, so long as 25 acres is covered by the management plan and is managed accordingly. The only change would be that 3 out of the 25 acres would be assessed at fair market value rather than use value, and would no longer be subject to the Land Use Change Tax, if developed.

2. Change the Method of Assessing and Collecting the LUCT. This adopts New Hampshire's method for calculating and collecting the Land Use Change Tax. Vermont should return to its earlier method of setting the Land Use Change Tax at 10% of the actual fair market value of the developed land. This would eliminate the current system of prorating the values and applying differential rates depending upon the length of enrollment. In addition, municipalities would be given the authority to determine the amount of the LUCT and to retain at least part of what is owed. In the event a dispute arises between the listers and the landowner, the matter could be resolved through the normal property tax appeal process.

Because the LUCT is applied only when land is “developed”, which includes subdivisions of less than 25 acres and harvesting timber contrary to the management plan, this change would not create a smooth flow of income. Depending upon the town and the circumstances, the payments are likely to fluctuate with changes in ownership or the economy. One way to partially smooth out this fluctuation would be to redistribute the State’s LUCT share to towns based on the number of acres enrolled in Current Use within each community.

3. Change the Property Transfer Tax rate for enrolled lands. When buyers purchase real property in Vermont, most must pay a Property Transfer Tax (PTT) of 1.25% of the value of the property. However, if the land is already enrolled in Current Use and the new owner intends to continue the enrollment, the PTT rate is only 0.5%. In most situations, there seems to be little logical basis for imposing a lower rate. Based on PTT collections from 2004-2008, which were substantially higher than what is expected in this current recession year, Vermont can expect to receive \$300,000 annually in additional revenues.

4. Create a more equitable formula for the State’s support of municipal services. The inequity of the State’s current method for reimbursing lost municipal taxes due to Current Use enrollments was discussed in Section II and in Appendix A. While the group does not object to – and indeed strongly encourages – the continued appropriation of State funds to support municipal services, it does believe that these payments should be based on a more equitable formula.

5. Establish a Realistic Fee Schedule for Applications, Withdrawals, Transfers and Other Changes. For the first time in the 2008 legislation, the Legislature authorized the collection of an application fee from new landowners wishing to enroll in Current Use. However, the size of the fee (\$40) covers only one-third of the Tax Department’s estimate of the actual cost of processing the application. In addition, the State incurs significant costs in processing withdrawals and other changes, for which no fee is collected. The State should establish reasonable transaction fees to defray some of its costs without creating an unfair burden on landowners or a deterrent to future enrollment.

6. Address the Need for Adequate Staffing. The problem of inadequate staffing for Current Use within the Tax Department and the Department of Forests, Parks and Recreation has been discussed in earlier sections. With more than 15,000 parcels already enrolled in Current Use, and more applications filed before the recent September 1 deadline, Current Use cannot function effectively without adequate staffing in both the office and the field. Although the Legislature generally resists any designated funding sources, it must recognize that some of the ideas presented here, if adopted, will generate additional revenues for the State and ensure that there is adequate staffing to effectively, efficiently and fairly administer Current Use.

7. Collection of Temporary Administrative Fee to Accelerate Electronic Administration. Over the past few years, the State has made significant strides in improving the electronic exchange of information between the towns and the Tax Department and between the Tax Department and the Department of Forests, Parks and Recreation. However, more remains to be done. One of the greatest needs is to convert the application process and forest management

plans from paper maps to GIS-based digital maps. This would vastly improve the efficiency of administering Current Use at both the town and State level and would allow an easier exchange of information and analysis about Current Use. A temporary administrative fee of \$25 per parcel per year for three years would provide an additional \$375,000 annually to help complete the conversion. Because many farmers and some forestland owners own a large number of parcels, sometimes in different towns, the payment could be capped at \$150 per landowner. At the end of three years, the administrative fee provision would sunset.

8. Strengthen the Public Understanding of the Purposes and Benefits of Current Use. The 2007 Use Value Appraisal Task Force identified as a significant danger to the continuation of Current Use the lack of a sustained public educational effort about this policy and its importance to maintaining Vermont's working landscape. The group was struck by New Hampshire's educational efforts, especially the work of the S.P.A.C.E. program, which has researched the impacts and benefits of use value appraisal in that state. Given how important Current Use is to the maintenance of Vermont's rural character and the economic and other benefits of having landowners use their agricultural and forest lands productively, we need to strengthen our educational efforts on this side of the Connecticut River.

Conclusion. Because of the State's budget problems, this is a time of significant peril for Vermont's Current Use policy, as the debate last spring over the \$4,000 per acre cap demonstrated. However, it is also a time of opportunity. By focusing on the need to reduce State expenditures and increase revenues, Vermonters can also address some problems and issues that have been festering in the structure and administration of Current Use. We have an opportunity to improve the effectiveness and efficiency of the law and to find a better balance of burdens and benefits among the affected landowners, community and State.

To accomplish what needs to be done will require that the people and organizations who have a stake in Current Use build a consensus around a package of reforms that will address both the problems and the need. We must enlist the support of key legislators and the Douglas Administration, but we must also build understanding and support at the grassroots. The ideas presented here are not intended to represent our final proposal. We expect that as the issues and options are debated in the coming months, these ideas will be refined and improved. Our hope is that by the time the Legislature reconvenes in January, we will have a coalition in place that can advocate strongly for whatever changes should be made.

Make no mistake about it. If the proponents of Current Use do not come together around a set of reforms that address the financial target set by the Legislature, we risk seeing outcomes in the next legislative session that could significantly undermine the core principles underlying Vermont's Current Use policy. Standing on the sidelines or arguing for the status quo is not an option.

Appendix A – Options that were Considered, but Rejected

1. Base Current Use eligibility on the landowner’s ability to pay or residency. For over 31 years since the Current Use law was first debated in the Legislature, some people have argued for a “means” test that would exclude or limit people with the ability to pay higher property taxes from enrolling their land in Current Use. Whatever one might think of the wisdom or merits of including such a provision, no one has come up with an explanation of how it could be administered. Non-resident landowners don’t file an income tax return in Vermont, and in any event income is only one indicator of wealth or ability to pay. If a residency requirement is included, there is little to prevent the owner from setting up a Vermont LLC whose only income is what is generated from the land.

From the beginning, Current Use has been based upon the landowner’s use of the land, rather than the landowner’s wealth or residency. Not only is the use more readily discoverable, but the economic and other benefits of that use will accrue to Vermont in any event. With an ever increasing number of landowners in Vermont who did not grow up on a farm or who have never managed a woodlot, Current Use becomes an even more important educational tool for encouraging owners to discover the natural resource values of their land and use their land productively.

2. Increase the minimum forest parcel size to 35 or 50 acres. Under current rules, landowners may enroll as little as 25 acres of land, of which at least 20 acres must be productive (Site I, II or III) forestland. By increasing the minimum parcel size of a forested parcel to 35 or 50 acres, the Legislature would reduce current enrollments and slow the growth in enrolled acreage in the future. The State would also pay out less in municipal tax reimbursements, because towns would collect more revenue directly from the affected landowners. Eligibility of agricultural parcels would remain unchanged, because many viable farm operations use parcels of 25 acres and less.

A minimum forest parcel size of 50 acres would save an estimated \$1.3 million in municipal tax reimbursements under current conditions, and generate an additional \$4.3 million in Education Fund revenues. A 35-acre minimum forest parcel size would save an estimated \$642,000 in municipal reimbursements and bring an additional \$2.1 million to the Ed Fund. The impact on future enrollments cannot be determined, but certainly new enrollments would be slowed because fewer landowners would be eligible.

On the other hand, with a 50-acre minimum (excluding agricultural parcels), 3,506 parcels totaling approximately 151,000 acres would be tossed out of current use. At a 35-acre minimum, there would be 1,868 fewer enrolled parcels totaling 68,000 acres. Since property taxes on these lands would surely increase – 8 times on average, since the average tax savings for enrolled lands is 88% – some of these lands would surely be developed. In addition, many consulting foresters would lose clients, and many landowners would lose their connection to county and consulting foresters and the stewardship advice they provide. It must be noted that many small parcels of forestland are highly productive and some are managed more intensively than their larger counterparts. New Hampshire allows enrollment of forest parcels as small as ten acres, which is the minimum for qualification under the national Tree Farm System. In addition, in

communities with strong development pressure, smaller parcels, especially in the aggregate, can be significant ecologically and in keeping the rural land base intact.

3. Cap the State's reimbursement to municipalities at \$6.25 per acre. Because of the disparity of State reimbursements to towns for lost municipal taxes and the problem of some towns over-valuing enrolled lands, one option is to place a per acre cap on the State's reimbursement payments. If the cap is set at \$6.25 per acre, the State would save \$1.6 million in General Fund expenditures starting in FY2011. Towns whose reimbursement rate is at or below \$6.25 per acre would be unaffected.

However, approximately 70 towns would be affected by the cap, although many of them only minimally. Some of the 26 towns that are currently receiving reimbursements of more than \$10 per acre have only minimal acreage enrolled in Current Use, many have significant acreage enrolled, so the impact would be substantial. Any loss in reimbursement would have to be absorbed by the landowners in the community through higher municipal tax rates. Woodstock, for example, would lose 57% of its current \$220,000 reimbursement. A home of average value in Woodstock would have to pay an additional \$51 (one penny on the tax rate) in municipal taxes to make up the shortfall. Not all affected towns are considered to be in the "high rent" district. Morristown would lose one-third of its current \$223,000 reimbursement, but the average homeowner would pay an additional three cents on the tax rate. Clearly, if this option is used, some type of circuit breaker will be needed to allow towns to transition to a different system without creating undue hardship on local taxpayers.

4. Equalize reimbursements for all enrolled acres at \$4.32 per acre. This is a variation on the previous option, but takes into account that providing services to undeveloped land probably does not vary significantly between one town and the next. Again, the reimbursement can be higher or lower than the \$4.32 per acre figure, having a greater or lesser impact on the General Fund.

At the \$4.32 acre rate, the State would save \$1.6 million in reimbursement expenditures. Many communities which are currently receiving far less than \$4.32 would receive a significant financial windfall. On the other hand, the number of "losers" would also increase under this option, and for those that would be affected by a \$6.25 per acre cap, the negative impact would be even greater.

5. Cap Use Value Appraisal at \$4,000 per acre. This was the first of several such proposals made in the final weeks of the 2009 legislative session. In the following weeks, a \$3,000 and a \$5,000 per acre cap were also considered. These proposals were not taken off the table until the final day of the regular session.

A \$4,000 cap would have generated an additional \$3 million for the Education Fund in FY2010, based upon 2009 land values. It would have also generated approximately \$500,000 in savings to the State's municipal tax reimbursement funds, although not until FY2011 because of the one year built-in delay. On the other hand, this change runs contrary to the state's policy of taxing productive lands based upon the "use value", and would set a precedent for "managing to the money" which might spell the end of Current Use in the long run. Roughly 1,265 parcels

covering more than 65,000 acres (21,409 acres agricultural; 43,846 acres forested) would have been affected. For many, the property tax burden would have doubled, tripled and gone even higher, increasing the likelihood that the land would be sold or converted to other uses. It would also have fallen on primary residents and second home owners; farmers, attorneys and investment bankers; for-profit companies and non-profit conservation organizations; and high-income earners to fixed income pensioners alike.

6. Place a moratorium on new enrollments in Current Use. Although this was mentioned as an option, the group rejected it as contrary to the goals expressed in the Current Use statute. Approximately 30% of the potentially eligible agricultural land and 50% of the potentially eligible forest land is not enrolled in Current Use. In some cases, the owners may be planning to develop, object to placing a lien on their land, or do not want to assume the cost and burden of obtaining and implementing a forest management plan for the property. In other cases, an owner may be planning to sell and does not wish to affect the value of the property. Yet at the same time, new owners are coming into the system: young farmers bringing land back into production; forestland investors who are looking at growing and harvesting timber over a long period of time; and homeowners who want the joy of stewarding a piece of land. Excluding these people from Current Use risks the conversion of their land to other uses.

7. “Tiering” use values to encourage public recreational access. This is an option which the group felt should remain on the table for future consideration. New Hampshire has a successful “tiering” system, in which landowners who agree to allow public pedestrian access on their land receive a 20% reduction in use values. Given that in New Hampshire the state makes no reimbursement payment to the towns and the other property owners in the community must absorb the 20% additional cost, the degree of public acceptance for this system is perhaps surprising.

One key to the success of the New Hampshire system is that the tiering system is administered locally. If landowners want to post a safety zone around buildings, or need to keep the public off the fields during the growing season, or experience erosion, trash, or other problems resulting from public use, they can usually work out a solution with local officials that addresses the concern without losing the 20% reduction. The group did observe, however, that a system for tiering use values would function much more effectively after a system for electronic administration is fully in place. Because of Vermont’s heavier state involvement in the administration of Current Use, it would be difficult, especially given the current staffing limitations, to implement such a system efficiently at this time.

**Appendix B:
State Reimbursement of Lost Municipal Taxes Resulting
from Current Use Involvement**

Town	Acres enrolled	FY10 Municipal Reimbursement	Reimbursement Per Acre
	2,119,416	10,659,338	
ADDISON COUNTY			
Addison	16,208	48,639	3.00
Bridport	20,829	133,484	6.41
Bristol	10,200	58,045	5.69
Cornwall	7,098	45,798	6.45
Ferrisburgh	13,645	59,828	4.38
Goshen	2,108	11,409	5.41
Granville	13,059	23,174	1.77
Hancock	1,297	2,885	2.22
Leicester	2,694	3,694	1.37
Lincoln	9,472	68,150	7.19
Middlebury	10,123	103,647	10.24
Monkton	11,098	64,040	5.77
New Haven	15,450	79,448	5.14
Orwell	14,811	48,046	3.24
Panton	6,286	48,776	7.76
Ripton	3,261	18,967	5.82
Salisbury	6,121	24,509	4.00
Shoreham	19,606	97,383	4.97
Starksboro	15,107	54,578	3.61
Vergennes	56	1,482	26.32
Waltham	2,683	13,291	4.95
Weybridge	6,918	47,519	6.87
Whiting	5,459	31,204	5.72
BENNINGTON COUNTY			
Arlington	10,510	23,377	2.22
Bennington	5,390	39,706	7.37
Dorset	7,129	26,959	3.78
Glastenbury		-	
Landgrove	1,890	39,238	20.76
Manchester	6,836	34,174	5.00
North Bennington		-	
Peru	1,666	17,163	10.30
Pownal	8,823	23,797	2.70
Readsboro	2,131	11,586	5.44
Rupert	14,353	69,863	4.87
Sandgate	17,410	54,667	3.14

**Appendix B:
State Reimbursement of Lost Municipal Taxes Resulting
from Current Use Involvement**

Town	Acres enrolled	FY10 Municipal Reimbursement	Reimbursement Per Acre
	2,119,416	10,659,338	
Searsburg	478	3,021	6.31
Shaftsbury	5,982	20,628	3.45
Shaftsbury ID	60	-	-
Stamford	2,842	6,060	2.13
Sunderland	657	12,276	18.69
Winhall	1,446	6,551	4.53
Woodford	134	27	0.20

CALEDONIA COUNTY

Barnet	11,683	55,292	4.73
Burke	3,881	17,324	4.46
Danville	13,853	83,932	6.06
Groton	8,056	18,624	2.31
Hardwick	11,857	77,412	6.53
Kirby	5,570	20,428	3.67
Lyndon	5,608	30,358	5.41
Newark	5,411	25,526	4.72
Peacham	13,241	74,252	5.61
Ryegate	8,652	35,165	4.06
St. Johnsbury	6,014	34,829	5.79
Sheffield	4,609	16,120	3.50
Stannard	2,376	17,273	7.27
Sutton	6,410	39,794	6.21
Walden	6,796	35,098	5.16
Waterford	5,064	12,071	2.38
Wheelock	10,518	43,052	4.09

CHITTENDEN COUNTY

Bolton	7,474	25,534	3.42
Buels Gore	734	2,945	4.01
Burlington	41	541	13.23
Charlotte	11,560	84,231	7.29
Colchester	1,526	12,652	8.29
Essex Town	2,666	17,591	6.60
Essex Jct.	441	2,549	5.78
Hinesburg	7,445	49,895	6.70
Huntington	9,910	71,933	7.26
Jericho	3,518	27,544	7.83
Jericho ID	202	-	-
Milton	8,020	41,616	5.19

**Appendix B:
State Reimbursement of Lost Municipal Taxes Resulting
from Current Use Involvement**

	Acres enrolled	FY10 Municipal Reimbursement	Reimbursement Per Acre
Town	2,119,416	10,659,338	
Richmond	8,415	50,883	6.05
St. George	943	3,207	3.40
Shelburne	2,587	92,068	35.58
South Burlington	816	12,648	15.49
Underhill	7,257	42,412	5.84
Underhill ID	355	-	-
Westford	11,356	46,926	4.13
Williston	2,639	15,093	5.72
Winooski		-	
ESSEX COUNTY			
Averill	21,084	5,376	0.25
Averys Gore	12,243	1,695	0.14
Bloomfield	10,461	8,113	0.78
Brighton	13,787	26,394	1.91
Brunswick	5,866	3,201	0.55
Canaan	5,203	21,098	4.05
Concord	14,093	54,222	3.85
East Haven	18,604	38,886	2.09
Ferdinand	14,712	1,305	0.09
Granby	20,240	19,148	0.95
Guildhall	13,846	21,113	1.52
Lemington	11,812	5,791	0.49
Lewis	6,673	652	0.10
Lunenburg	10,311	22,678	2.20
Maidstone	7,086	5,998	0.85
Norton	11,372	7,211	0.63
Victory	1,702	1,656	0.97
Warners Grant	1,607	268	0.17
Warren Gore	5,211	1,365	0.26
FRANKLIN COUNTY			
Bakersfield	16,016	39,314	2.45
Berkshire	9,204	50,751	5.51
Enosburg	14,472	70,572	4.88
Fairfax	11,925	59,815	5.02
Fairfield	27,962	160,272	5.73
Fletcher	14,706	59,230	4.03
Franklin	8,834	44,942	5.09
Georgia	9,081	29,419	3.24

**Appendix B:
State Reimbursement of Lost Municipal Taxes Resulting
from Current Use Involvement**

Town	Acres enrolled	FY10 Municipal Reimbursement	Reimbursement Per Acre
	2,119,416	10,659,338	
Highgate	11,638	37,567	3.23
Montgomery	16,191	27,623	1.71
Richford	12,629	71,551	5.67
St. Albans City		-	
St. Albans Town	9,632	65,296	6.78
Sheldon	10,925	57,716	5.28
Swanton	11,469	37,443	3.26
GRAND ISLE			
Alburgh	5,864	41,565	7.09
Grand Isle	2,534	31,339	12.37
Isle LaMotte	769	9,882	12.86
North Hero	1,757	11,740	6.68
South Hero	2,275	26,420	11.61
LAMOILLE COUNTY			
Belvidere	13,349	19,728	1.48
Cambridge	21,477	70,563	3.29
Eden	18,051	63,683	3.53
Elmore	15,301	35,765	2.34
Hyde Park	8,829	82,568	9.35
Johnson	12,484	71,447	5.72
Morristown	12,224	222,311	18.19
Stowe	10,272	193,014	18.79
Waterville	4,497	16,016	3.56
Wolcott	10,332	63,096	6.11
ORANGE COUNTY			
Bradford	5,014	31,868	6.36
Braintree	13,708	57,111	4.17
Brookfield	9,898	62,795	6.34
Chelsea	15,897	84,953	5.34
Corinth	12,618	67,241	5.33
Fairlee	5,459	28,168	5.16
Newbury	13,458	83,470	6.20
Orange	8,885	21,258	2.39
Randolph	13,637	137,734	10.10
Strafford	13,927	106,323	7.63
Thetford	12,467	69,527	5.58
Topsham	11,435	49,452	4.32

**Appendix B:
State Reimbursement of Lost Municipal Taxes Resulting
from Current Use Involvement**

	Acres enrolled	FY10 Municipal Reimbursement	Reimbursement Per Acre
Town	2,119,416	10,659,338	
Tunbridge	15,531	146,125	9.41
Vershire	14,598	97,162	6.66
Washington	13,005	62,915	4.84
Wells River		-	
West Fairlee	9,111	27,028	2.97
Williamstown	9,272	52,661	5.68

ORLEANS COUNTY

Albany	9,421	25,087	2.66
Barton	6,362	23,138	3.64
Brownington	2,080	10,282	4.94
Charleston	8,314	34,075	4.10
Coventry	3,502	-	-
Craftsbury	13,133	78,330	5.96
Derby	6,382	32,447	5.08
Glover	10,263	41,032	4.00
Greensboro	14,792	73,298	4.96
Holland	7,013	46,004	6.56
Irasburg	10,177	32,262	3.17
Jay	3,319	2,982	0.90
Lowell	11,714	24,578	2.10
Morgan	3,789	9,548	2.52
Newport City	66	1,464	22.08
Newport Town	8,010	26,478	3.31
Orleans ID	215	-	-
Troy	6,366	26,939	4.23
Westfield	8,941	18,958	2.12
Westmore	9,693	22,074	2.28

RUTLAND COUNTY

Benson	7,522	25,591	3.40
Brandon	6,376	29,518	4.63
Castleton	7,082	26,613	3.76
Chittenden	5,172	14,126	2.73
Clarendon	6,134	31,336	5.11
Danby	13,282	62,070	4.67
Fair Haven	1,553	10,447	6.73
Hubbardton	6,616	22,897	3.46
Ira	6,493	15,409	2.37
Mendon	2,033	7,533	3.71

**Appendix B:
State Reimbursement of Lost Municipal Taxes Resulting
from Current Use Involvement**

Town	Acres enrolled	FY10 Municipal Reimbursement	Reimbursement Per Acre
	2,119,416	10,659,338	
Middletown Springs	5,943	35,231	5.93
Mount Holly	7,088	24,159	3.41
Mount Tabor	452	186	0.41
Pawlet	13,033	63,938	4.91
Pittsfield	871	4,192	4.81
Pittsford	9,214	30,659	3.33
Poultney	7,758	25,828	3.33
Proctor	733	5,060	6.91
Rutland City	133	5,209	39.05
Rutland Town	1,597	10,288	6.44
Killington	4,269	4,126	0.97
Shrewsbury	11,079	52,691	4.76
Sudbury	6,345	21,246	3.35
Tinmouth	8,630	48,707	5.64
Wallingford	4,071	14,892	3.66
Wells	1,743	4,220	2.42
West Haven	9,968	55,168	5.53
West Rutland	2,544	6,359	2.50
WASHINGTON COUNTY			
Barre City	26	256	9.77
Barre Town	5,786	83,739	14.47
Berlin	5,605	30,925	5.52
Cabot	12,737	100,040	7.85
Calais	12,082	59,713	4.94
Duxbury	9,031	30,110	3.33
East Montpelier	8,354	56,380	6.75
Fayston	10,019	24,863	2.48
Marshfield	12,979	60,240	4.64
Middlesex	9,530	33,584	3.52
Montpelier	689	9,137	13.26
Moretown	15,379	26,590	1.73
Northfield	13,558	74,749	5.51
Plainfield	5,586	42,106	7.54
Roxbury	10,182	32,435	3.19
Waitsfield	7,206	68,055	9.44
Warren	6,276	47,006	7.49
Waterbury	6,127	56,838	9.28
Woodbury	12,900	29,341	2.27
Worcester	10,441	40,179	3.85

**Appendix B:
State Reimbursement of Lost Municipal Taxes Resulting
from Current Use Involvement**

Town	Acres enrolled	FY10 Municipal Reimbursement	Reimbursement Per Acre
	2,119,416	10,659,338	
WINDHAM COUNTY			
Athens	2,855	24,766	8.67
Brattleboro	7,355	94,089	12.79
Brookline	3,249	8,477	2.61
Dover	2,970	10,527	3.55
Dummerston	8,206	54,109	6.59
Grafton	10,231	45,802	4.48
Guilford	10,759	59,266	5.51
Halifax	11,282	64,198	5.69
Jamaica	7,422	12,483	1.68
Londonderry	7,094	40,615	5.72
Marlboro	11,426	37,657	3.30
Newfane	10,801	54,313	5.03
Putney	6,050	106,286	17.57
Rockingham	11,098	80,996	7.30
Somerset		-	
Stratton	2,571	2,685	1.04
Townshend	11,863	26,108	2.20
Vernon	2,964	24,968	8.42
Wardsboro	3,695	14,182	3.84
Westminster	11,726	83,564	7.13
Whitingham	3,552	21,180	5.96
Wilmington	2,671	13,523	5.06
Windham	10,008	20,463	2.04
WINDSOR COUNTY			
Andover	4,320	15,136	3.50
Baltimore	1,119	2,821	2.52
Barnard	16,729	114,806	6.86
Bethel	13,820	65,449	4.74
Bridgewater	14,667	68,787	4.69
Cavendish	8,068	38,508	4.77
Chester	14,335	113,959	7.95
Hartford	4,725	50,592	10.71
Hartland	12,251	133,396	10.89
Ludlow	3,297	12,477	3.78
Norwich	12,199	100,236	8.22
Plymouth	5,681	11,489	2.02
Pomfret	16,567	185,921	11.22

**Appendix B:
State Reimbursement of Lost Municipal Taxes Resulting
from Current Use Involvement**

	Acres enrolled	FY10 Municipal Reimbursement	Reimbursement Per Acre
Town	2,119,416	10,659,338	
Reading	11,180	98,465	8.81
Rochester	12,995	48,165	3.71
Royalton	8,198	31,575	3.85
Sharon	11,860	47,620	4.02
Springfield	12,139	116,951	9.63
Stockbridge	15,448	41,356	2.68
Weathersfield	8,254	62,791	7.61
Weston	5,579	50,467	9.05
West Windsor	4,821	85,296	17.69
Windsor	2,936	41,044	13.98
Woodstock	15,258	212,297	13.91