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STATE OF VERMONT
LEGISLATIVE JOINT FISCAL OFFICE

Initial Estimate and Considerations for H.273

House Committee on Agriculture, Food Resiliency, and Forestry
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H.273 proposes to adjust the Use Value Appraisal (UVA) program by:

1. expanding the definition of a farmer in 32 V.S.A. § 3752(7)(A) to someone "who earns at least 25 percent of the farmer's annual gross income from the business of farming,"
2. reducing the land use change tax (LUCT) from 10% to 6%, and
3. by further expanding the definition of a farmer to include those "who earns [sic] at least 25 percent of the farmer's income from the raising, feeding, or management of equines."

Overall, the Joint Fiscal Office (JFO) estimates that these changes would have an approximate total impact to the Education and General funds ranging from $4.85 to $10.6 million dollars.[1], [3]

Estimated Fiscal Impacts of H.273

Total Impacts	Low End	High End
Farmer income expansion	$1,500,000	$4,000,000
LUCT reduction	$600,000	$630,000
Farm type expansion	$2,750,000	$6,000,000
Total	$4,850,000	$10,630,000

Expansion of "farmer by income"

- Broadening the definition of a farmer would increase the number of individuals eligible to enroll their land in the UVA program[2]. This would reduce revenues to the Education Fund (decreased homestead and nonhomestead property taxes) and the General Fund (decreased municipal property taxes paid by the General Fund due to the Hold Harmless Payment). The estimated range of impact is based on the following scenarios:

[1] One penny on the equalized homestead and nonhomestead property tax rate results in an additional $14 million in raised revenue for the Education Fund.
[2] Current law definition of a farmer is a person "who earns at least one half of the farmer's annual gross income from the business of farming as defined in Regulation 1.175-3...."
[3] Please see page three for the fiscal impacts broken down by fund.

a. Based on fiscal year 2024 values, if 100% of the estimated newly-eligible individuals enroll, this would lead to $4 million in foregone tax revenue.
b. Based on fiscal year 2024 values, if 50% of the estimated newly-eligible individuals enrolled, this would lead to $1.5 million in foregone tax revenue.

Reduction in the Land Use Change Tax (LUCT)

- LUCT is the tax that property owners who are enrolled in UVA pay to remove their property lien (placed as a condition of enrollment in the program) or to develop their enrolled land. The revenue generated by LUCT, after part is paid to the local municipality, is split between the Education and General funds (75% and 25%, respectively).
- Reducing the rate from current law – 10% of the full fair market value of the changed land – 6% would reduce the revenue generated by the tax, reducing revenue to the Education and General funds by a small amount. The estimated range of impact is based on the following scenarios:
    a. Based on the LUCT revenue in fiscal year 2024, assuming no revenue growth or loss, this would reduce total LUCT revenues by an estimated $630,000 in fiscal year 2026.
    b. If the LUCT revenues in fiscal year 2024 grew at the same rate as they have the past two fiscal years (-2.6%), the total fiscal year 2024 revenue reduction is estimated to be $600,000.

Expansion of "farmer" to include "the raising, feeding, or management of equines"

- Broadening the UVA program's definition of a farmer as someone "who earns at least 25 percent of the farmer's income from the raising, feeding, or management of equines" would also increase the number of individuals who are eligible to enroll in it. As with expanding the definition of a "farmer" based on their income, this would result in foregone tax revenue to the Education and General funds. The estimated range of impact is based on the following scenarios:
    a. Based on fiscal year 2025 values, if 100% of the estimated newly-eligible individuals enrolled in UVA, this would lead to $6 million in foregone tax revenue.
    b. Based on fiscal year 2025 values, if 47% of the estimated newly-eligible individuals enrolled in UVA, this would result in $2.75 million in foregone tax revenue.

Considerations:

- There are several considerations, including but not limited to:
    a. Data was severely limited for portions of this estimate, particularly for the expansion of the definition of a "farmer by income."
    b. There is the possibility that some of the individuals assumed in this estimate to be newly-eligible are already enrolled in UVA. Due to the lack of data, it is difficult to determine whether the new enrollment estimates are overstated.
    c. Estimates did not account for behavioral changes, such as more individuals enrolling in UVA due to the lower cost of withdrawal.

Estimated Fiscal Impacts of H. 273 Broken Down by Fund

	Education Fund		General Fund		Aggregated Impact	
H.273 Changes:	**Low End**	**High End**	**Low End**	**High End**	**Low End**	**High End**
Farmer income expansion	$1,000,000	$3,000,000	$500,000	$1,000,000	$1,500,000	$4,000,000
LUCT reduction	$450,000	$475,000	$150,000	$155,000	$600,000	$630,000
Farm type expansion	$2,000,000	$4,200,000	$750,000	$1,800,000	$2,750,000	$6,000,000
Total	**$3,450,000**	**$7,675,000**	**$1,400,000**	**$2,955,000**	**$4,850,000**	**$10,630,000**