

8 An act relating to miscellaneous administrative and policy changes to the  
9 tax laws

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

11 \* \* \* Credit for Taxes Paid in Another State by an S Corporation \* \* \*

## 12 Sec. 1. REPEAL

13 32 V.S.A. § 5916 (denial of tax credits for S corporations) is repealed.

14 \* \* \* Property Transfer Tax \* \* \*

15 Sec. 2. 32 V.S.A. § 9602 is amended to read:

16      § 9602. TAX ON TRANSFER OF TITLE TO PROPERTY

17 A tax is hereby imposed upon the transfer by deed of title to property

located in this State, or a transfer or acquisition of a controlling interest in any person with title to property in this State. The amount of the tax equals 1.25

1 percent of the value of the property transferred, or \$1.00, whichever is greater,  
2 except as follows:

3 \* \* \*

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

6 (A) ~~residential property~~ that is fit for habitation on a year-round  
7 basis;

8 (B) that will not be used as the principal residence of the transferee;  
9 and

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

12 (5) If a transfer would have been subject to the tax rate under  
13 subdivision (4) of this section but for the transferee's filing of a landlord  
14 certificate of rent for which there is no bona fide landlord-tenant relationship  
15 between the parties, the Commissioner shall assess tax at the rate under  
16 subdivision (4) of this section on the transfer. To make this determination, the  
17 Commissioner may consider whether the transferee and tenant are related  
18 parties, whether the transferee charges the tenant fair market rent, whether the  
19 transferee is an entity with a business purpose other than the avoidance of  
20 property transfer tax, and any other factor the Commissioner deems relevant.

## 1 \* \* \* Current Use; Land Use Change Tax \* \* \*

2 Sec. 3. 32 V.S.A. § 3757 is amended to read:

3        **§ 3757. LAND USE CHANGE TAX**

19 (b) Any owner of eligible land who wishes to withdraw land from use  
20 value appraisal shall notify the Director, who shall in turn notify the local  
21 assessing official. In the alternative, if the Director determines that

1 development has occurred, the Director shall notify the local assessing official  
2 of ~~his or her~~ the Director's determination. Thereafter, land that has been  
3 withdrawn or developed shall be appraised and listed at its full fair market  
4 value in accordance with the provisions of chapter 121 of this title and  
5 subsection 3756(d) of this title, according to the appraisal model and land  
6 schedule of the municipality.

7 (c) For the purposes of the land use change tax, the determination of the  
8 fair market value of the land shall be made by the local assessing officials in  
9 accordance with ~~the provisions of~~ subsection (b) of this section and divided by  
10 the municipality's most recent common level of appraisal as determined by the  
11 Director. The determination shall be made within 30 days after the Director  
12 notifies the local assessing officials of the date that the owner has petitioned  
13 for withdrawal from use value appraisal or that the Director or local assessing  
14 official has determined that development has occurred. The local assessing  
15 officials shall notify the Director and the owner of their determination, ~~and the~~,  
16 Failing a determination of the fair market value of the withdrawn portion of the  
17 parcel by the local assessing officials within 30 days as required under this  
18 subsection, the Director shall establish the fair market value of the changed  
19 land and notify the local assessing officials and the owner of the Director's  
20 determination within 30 days. The provisions for appeal relating to property  
21 tax assessments in chapter 131 of this title shall apply, except that the owner

1       shall have 30 days to appeal the determination to the municipality or to the  
2       Director as applicable under this subsection. If an owner erroneously appeals a  
3       municipality's determination to the Director, the Director may forward the  
4       appeal to the municipality and, provided the appeal to the Director is made  
5       within 30 days as permitted under this subsection, the appeal shall be  
6       considered timely filed to the municipality.

7           (d) The land use change tax shall be due and payable by the owner 30 days  
8       after the tax notice is mailed to the ~~taxpayer~~ owner. The tax shall be paid to  
9       the Commissioner, who, if the municipality's local assessing officials timely  
10      determine fair market value of the withdrawn portion of the parcel pursuant to  
11      subsection (c) of this section, shall remit to the municipality the lesser of one-  
12      half the tax paid or \$2,000.00. ~~The Director and~~ shall deposit three-quarters of  
13      the remainder of the tax paid in the Education Fund, and one-quarter of the  
14      remainder of the tax paid in the General Fund. If the municipality's local  
15      assessing officials fail to timely determine fair market value of the withdrawn  
16      portion of the parcel pursuant to subsection (c) of this section, the municipality  
17      shall forfeit any tax paid and the Commissioner shall deposit three-quarters of  
18      the tax paid in the Education Fund, and one-quarter of the tax paid in the  
19      General Fund. The Commissioner shall issue a form to the assessing officials  
20      that shall provide for a description of the land developed, the amount of tax  
21      payable, and the fair market value of the land at the time of development or

1 withdrawal from use value appraisal. The owner shall fill out the form and  
2 shall sign it under the penalty of perjury. After receipt of the completed and  
3 signed form, the Commissioner shall furnish the owner with one copy, shall  
4 retain one copy, and shall forward one copy to the local assessing officials, one  
5 copy to the register of deeds of the municipality in which the land is located,  
6 and one copy to the Secretary of Agriculture, Food and Markets if the land is  
7 agricultural land and in all other cases to the Commissioner of Forests, Parks  
8 and Recreation.

9 \* \* \*

10 Sec. 4. 32 V.S.A. § 3758(b) is amended to read:

11 (b) Any owner who is aggrieved by the determination of the fair market  
12 value of classified land for the purpose of computing the land use change tax  
13 may appeal in the same manner as an appeal of a grand list valuation in chapter  
14 131 of this title, except that the owner shall have 30 days to appeal the  
15 determination to the municipality or to the Director as applicable under  
16 subsection 3757(c) of this chapter.

17 \* \* \* Current Use; Qualifying Income \* \* \*

18 Sec. 5. 32 V.S.A. § 3752(1) is amended to read:

19 (1) “Agricultural land” means any land, exclusive of any housesite, in  
20 active use to grow hay or cultivated crops, pasture livestock, cultivate trees  
21 bearing edible fruit, or produce an annual maple product, and that is 25 acres

1 or more in size, except as provided in this subdivision (1). Agricultural land  
2 shall include buffer zones as defined and required in the Agency of  
3 Agriculture, Food and Markets' Required Agricultural Practices rule adopted  
4 under 6 V.S.A. chapter 215. There shall be a presumption that the land is used  
5 for agricultural purposes if:  
6 (A) it is owned by a farmer and is part of the overall farm unit;  
7 (B) it is used by a farmer as part of the farmer's operation under  
8 written lease for at least three years; or  
9 (C) it has produced an annual gross income from the sale of farm  
10 crops or grazing rights on a per head basis in one of two, or three of the five,  
11 calendar years preceding of at least:  
12 (i) \$2,000.00 for parcels of up to 25 acres; and  
13 (ii) \$75.00 per acre for each acre over 25, with the total income  
14 required not to exceed \$5,000.00.  
15 (iii) Exceptions to these income requirements may be made in  
16 cases of orchard lands planted to fruit-producing trees, bushes, or vines that are  
17 not yet of bearing age. As used in this section, the term "farm crops" also  
18 includes animal fiber, cider, wine, and cheese, produced on the enrolled land or  
19 on a housesite adjoining the enrolled land, from agricultural products grown on  
20 the enrolled land.

1 \* \* \* Municipal Grand List Stabilization Program \* \* \*

2 Sec. 6. 32 V.S.A. § 3710(c) is amended to read:

11 This payment shall be made on or before January 1 of each year for five years.

12 \* \* \* Communications Property; Inventories \* \* \*

13 Sec. 7. 32 V.S.A. § 3602b(d)(2) and (3) are amended to read:

11 Sec. 8. 32 V.S.A. § 5406 is amended to read:

12       § 5406. NOTICE OF FAIR MARKET VALUE AND COEFFICIENT OF  
13                   DISPERSION

20 \* \* \*

10 Sec. 10. 2019 Acts and Resolves No. 6, Sec. 105, as amended by 2019 Acts  
11 and Resolves No. 71, Sec. 19, 2022 Acts and Resolves No. 83, Sec. 75, 2023  
12 Acts and Resolves No. 78, Sec. E.306.2, and 2024 Acts and Resolves No. 144,  
13 Sec. 12, is further amended to read:

14 Sec. 105. EFFECTIVE DATES

15 \* \* \*

16 (b) Sec. 73 (further amending 32 V.S.A. § 10402) shall take effect on July  
17 1, ~~2026~~ 2028.

18 \* \* \* Vermont Higher Education Investment Plan \* \* \*

19 Sec. 11. 32 V.S.A. § 5825a is amended to read:

20        § 5825a. CREDIT FOR VERMONT HIGHER EDUCATION INVESTMENT  
21                    PLAN CONTRIBUTIONS



1 exclusively for costs of attendance at an approved postsecondary education  
2 institution as defined in 16 V.S.A. § 2822(6).

3 (c) Repayments under subsection (b) of this section shall be subject to  
4 assessment, notice, penalty and interest, collection, and other administration in  
5 the same manner as an income tax under this chapter.

6 (d) A distribution, or portion of a distribution, shall be exempt from  
7 repayment under subsection (b) of this section if it qualifies as an allowable  
8 special rollover to a Roth IRA under 26 U.S.C. § 529(c)(3)(E), provided the  
9 distribution is from a higher education investment plan account that has been  
10 maintained for not less than 20 years before the distribution was made.

11 \* \* \* Statewide Adjustment Correction \* \* \*

12 Sec. 12. 32 V.S.A. § 6066(a)(2) is amended to read:

13 (2) “Income percentage” in this section means two percent, multiplied  
14 by the education income tax spending adjustment under subdivision  
15 5401(13)(B) of this title for the property tax year that begins in the claim year  
16 for the municipality in which the homestead residence is located and divided  
17 by the statewide adjustment under subdivision 5401(17) of this title.

18 \* \* \* Inflation Index Updates \* \* \*

19 Sec. 13. 16 V.S.A. § 559(e)(7) is amended to read:

12                   (C) the contract for the renewal period allows termination by the  
13                   board following an annual review of performance.

14 Sec. 14. 16 V.S.A. § 2959a(d) is amended to read:

15 (d) If the amount of Medicaid reimbursement funds received for services  
16 provided in the prior State fiscal year exceeds \$25,000,000.00, in addition to  
17 the 50 percent of the funds paid to supervisory unions submitting Medicaid  
18 bills, 25 percent of the amounts in excess of the \$25,000,000.00 shall be paid  
19 into an incentive fund created in the Agency of Education. These funds shall  
20 be used for an incentive payment to supervisory unions with student  
21 participation rates of over 80 percent in accordance with a formula to be

1 developed by the Agency, in consultation with the Vermont Superintendents  
2 Association. For any incentive payments made subsequent to fiscal year 2007,  
3 the \$25,000,000.00 threshold of this subsection shall be increased by the  
4 percentage increase of the most recent ~~New England Economic Project~~  
5 ~~Cumulative Price Index National Income and Product Accounts (NIPA)~~  
6 implicit price deflator, as of November 15, for state and local government  
7 ~~purchases of goods and services~~ consumption expenditures and gross  
8 investment published by the U.S. Department of Commerce, Bureau of  
9 Economic Analysis, from fiscal year 2005 through the fiscal year for which the  
10 payment is being determined, plus an additional one-tenth of one percent.

11 Sec. 15. 16 V.S.A. § 4011(b) is amended to read:

12 (b) For each fiscal year, the base education amount shall be \$6,800.00,  
13 increased by the most recent ~~New England Economic Project Cumulative Price~~  
14 ~~Index National Income and Product Accounts (NIPA)~~ implicit price deflator,  
15 as of November 15, for state and local government ~~purchases of goods and~~  
16 ~~services~~ consumption expenditures and gross investment published by the U.S.  
17 Department of Commerce, Bureau of Economic Analysis, from fiscal year  
18 2005 through the fiscal year for which the amount is being determined, plus an  
19 additional one-tenth of one percent.

1 Sec. 16. 32 V.S.A. § 5401(12)(B) is amended to read:

2 (B) In excess of 118 percent of the statewide average district per  
3 pupil education spending increased by inflation, as determined by the Secretary  
4 of Education on or before November 15 of each year based on the passed  
5 budgets to date. As used in this subdivision, “increased by inflation” means  
6 increasing the statewide average district per pupil education spending for fiscal  
7 year 2025 by the most recent ~~New England Economic Project cumulative price~~  
8 ~~index~~ National Income and Product Accounts (NIPA) implicit price deflator, as  
9 of November 15, for state and local government ~~purchases of goods and~~  
10 ~~services~~ consumption expenditures and gross investment published by the U.S.  
11 Department of Commerce, Bureau of Economic Analysis, from fiscal year  
12 2025 through the fiscal year for which the amount is being determined.

13 \* \* \* Homestead Declaration and Property Tax Credit \* \* \*

14 Sec. 17. 32 V.S.A. § 6062(c) is amended to read:

15 (c) When a homestead is owned by two or more persons as joint tenants,  
16 tenants by the entirety, or tenants in common and one or more of these persons  
17 are not members of the claimant’s household, the property tax is the same  
18 proportion of the property tax levied on that homestead as the proportion of  
19 ownership of the homestead by the claimant and members of the claimant’s  
20 household; provided, however, that:

21 \* \* \*

(3) the property tax of a claimant who is a joint tenant with a former spouse and who has possession of the homestead pursuant to the joint owners' final divorce decree is the property tax for which the claimant is responsible under the joint owners' final divorce decree or any modifying orders; and

14 \* \* \* Estate Tax \* \* \*

15 Sec. 18. 32 V.S.A. § 7444(a) is amended to read:

(2) the sum of the federal gross estate and federal adjusted taxable gifts, as defined in 26 U.S.C. § 2001(b), made within two years of the date of the decedent's death exceeds ~~\$2,750,000.00~~ \$5,000,000.00.

4 Sec. 19. 32 V.S.A. § 5930u(h) is amended to read:

5 (h) Credit allocation; Down Payment Assistance Program.

14 \* \* \* Effective Dates \* \* \*

## 15 Sec. 20. EFFECTIVE DATES

16 This act shall take effect on passage except:

1                   (3) Sec. 5 (current use; qualifying income) shall take effect on  
2                   September 2, 2026, and shall apply to grand lists lodged on and after April 1,  
3                   2028.