

Tax Department Feedback on 26-0758 NHS-R Classification, draft 2.1

Sec. 3

Long-Term Rental: • Definition of employee housing needs clarification

NHS-R Tax Base: • Department recommends excluding commercial apartments
• Department needs clarification on how land value will be apportioned in mixed-use cases

**Sec. 4
Misclassification
Penalties** • What are the right penalty levels?
• How would data be shared between Tax Dept. and towns?

**Sec. 5
DUA** • Department recommends implementing Dwelling Use Attestation form for tax year 2028, not 2027

**Sec. 8/9
Contingencies** • As agreed to in Act 73, implementation should continue to be contingent on new school districts being formed during the 2027 session

Sec. 3 Long-Term Rental Definition: Consider Simplification

Current draft does not leverage Current Use enrollments or require housing to have any connection to the employer. As this would be new and distinct from Current Use anyway, consider simplifying by combining subdivisions (B) and (C).

(B) “Long-term rental” also means a dwelling used by an employer to house the employer’s employees for at least six calendar months, which need not be consecutive, in the current calendar year. As used in this section, “employee” means an individual who is reported by an employer for purposes of complying with Vermont unemployment compensation law pursuant to 21 V.S.A. chapter 17 and a farm employee as defined by 9 V.S.A. § 4469a(a)(1).

Note: 9 V.S.A. § 4469a(a)(a) defines “farm employee” as “an individual employed by a farm employer for farming operations.”

Sec. 3 NHS-R Tax Base:

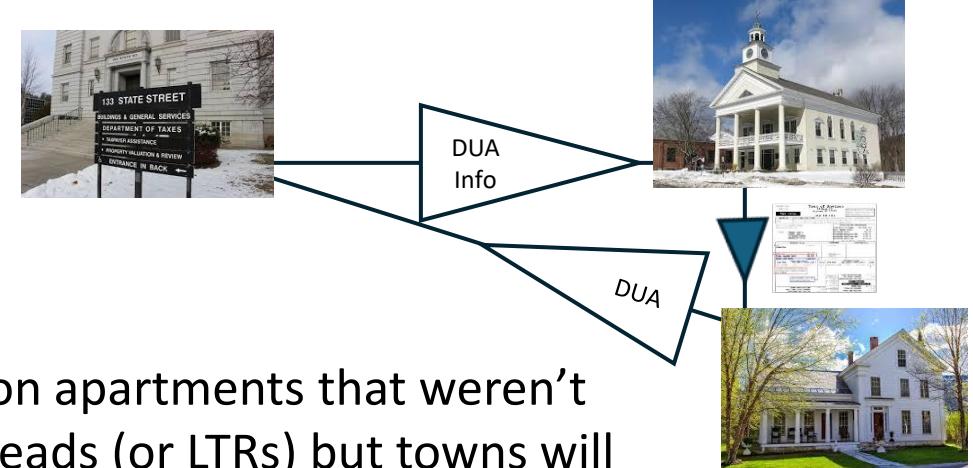
- Department recommends excluding commercial apartments (buildings with 4+ dwelling units that already are separated out in the grand list)
 - Of Vermont's ~2,000 apartments that are short term rentals, how many are in bigger apartment buildings? Of these, what share of the NHS-R base does this represent?
 - Significant increase in work for local officials to identify apartments in commercial apartment buildings including each apartment's number and sq. footage
 - Significant increase in work for landlords of bigger buildings to attest to how each of the apartments will be used
- Department needs clarification on how land value will be apportioned in mixed-use cases
 - Is this based on total square feet or *finished* square feet? Possible only the second thing is available and reliable.

Sec. 4 Misclassification Penalties:

- What are the right penalty levels?
 - 100% penalty should only apply to cases of fraud. Maybe 5% in year one and 10% after that?
 - Should penalties be different for honest mistakes vs. fraud? (fraud is hard to prove)

- How would data be shared between Tax Dept. and towns?

- Once the year is over, the Tax Dept. will possess data on apartments that weren't rented out long term and homes that weren't homesteads (or LTRs) but towns will possess the tax bill details



Sec. 5 Dwelling Use Attestation:

- Department recommends implementing Dwelling Use Attestation form for tax year 2028, not 2027
 - Gives the Tax Department a chance to do outreach in 2027 about new requirements, develop the form, and build out background IT
 - The 2027 Grand List (available August 2027) will have detail on dwelling units, so tax (or towns) can contact owners. We won't have time if DUA is required in early 2027
 - Confusing to taxpayers to have to do a new form that is only informational / data gathering (since new tax classification wouldn't start until 2028)
 - Data collected from 2027 DUA would not be high quality without chance for outreach and dwelling identification