

1 Introduced by Committee on Ways and Means

2 Date:

3 Subject: Taxation; education property tax; property valuation; tax
4 classifications

5 Statement of purpose of bill as introduced: This bill proposes to develop a
6 framework to implement an education property tax classification for
7 nonhomestead residential properties.

8 An act relating to creating a nonhomestead residential tax classification

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

10 Sec. 1. 32 V.S.A. § 4152 is amended to read:

11 § 4152. CONTENTS

12 (a) When completed, the grand list of a town shall be in such form as the
13 Director prescribes and shall contain such information as the Director
14 prescribes, including:

15 * * *

16 (10) A separate column listing the number of dwellings, as defined by
17 the Commissioner and pursuant to subdivision 4152a(c)(1) of this title.

18 * * *

1 Sec. 2. 32 V.S.A. § 4152 is amended to read:

2 § 4152. CONTENTS

3 (a) When completed, the grand list of a town shall be in such form as the
4 Director prescribes and shall contain such information as the Director
5 prescribes, including:

6 (1) In alphabetical order, the name of each real property owner and each
7 owner of taxable personal property.

8 (2) The last known mailing address of all such owners.

9 (3) A brief description of each parcel of taxable real estate in the town,
10 including a classification assigned pursuant to section 4152a of this title.

11 “Parcel” means all contiguous land in the same ownership, together with all
12 improvements thereon.

13 * * *

14 Sec. 3. 32 V.S.A. § 4152a is added to read:

15 § 4152a. PROPERTY TAX CLASSIFICATIONS

16 (a) Establishment. The grand list of a town shall include one or more tax
17 classifications for each parcel of real estate. A parcel shall be classified using
18 one of the general classes of real estate listed under subsection (b) of this
19 section and based on the considerations set forth in this section and by
20 guidance provided by the Division of Property Valuation and Review. The
21 listers and assessors shall annually update the grand list to include a tax

1 classification on or before June 1 of every year, using information submitted to
2 the Department of Taxes pursuant to this section and subsection 5410(m) of
3 this title. The tax classification may be updated after June 1 when a taxpayer
4 files a, or corrects an erroneously filed, homestead declaration after June 1.

5 (b) Classifications. A parcel shall be assigned one or more of the following
6 general classes:

7 (1) homestead;

8 (2) nonhomestead nonresidential; and

9 (3) nonhomestead residential.

10 (c) Definitions. As used in this section:

11 (1) “Dwelling” means a building or part of a building, including a
12 single-family home, a unit within a multifamily building, an apartment, a
13 condominium, or other similar property or structure containing a separate
14 means of ingress and egress that:

15 (A) is designed or intended to be used for occupancy by one or more
16 persons in a household, including providing living facilities for sleeping,
17 cooking, and sanitary needs; and

18 (B) is fit for year-round habitation as determined by the
19 Commissioner.

20 (2) “Homestead” has the same meaning as in subdivision 5401(7) of this
21 title and means a parcel, or portion of a parcel, declared as a homestead on or

1 before October 15 in accordance with section 5410 of this title for the current
2 year.

3 (3)(A) “Long-term rental” means:

4 (i) a dwelling for which rent is paid for the right of occupancy for
5 periods of at least 30 days;

6 (ii) with combined rental periods in the current calendar year that
7 total at least six calendar months, which need not be consecutive; and

8 (iii) there is a bona fide landlord-tenant relationship between the
9 parties.

10 (B) “Long-term rental” also means a dwelling used by an employer
11 to house the employer’s employees for at least six calendar months, which
12 need not be consecutive, in the current calendar year. As used in this section,
13 “employee” means an individual who is reported by an employer for purposes
14 of complying with Vermont unemployment compensation law pursuant to 21
15 V.S.A. chapter 17 or a farm employee as defined by 9 V.S.A. § 4469a(a)(1),
16 without regard for whether the farm employee is reported pursuant to 21
17 V.S.A. chapter 17.

18 (4) “Nonhomestead nonresidential” means a parcel, or portion of a
19 parcel, that does not qualify as “homestead” or “nonhomestead residential”
20 under this section.

1 (5) “Nonhomestead residential” means a parcel, or portion of a parcel,
2 with a dwelling that is not:

3 (A) a homestead;

4 (B) rented out as a long-term rental;

5 (C) a mobile home, as defined under 10 V.S.A. § 6201(1), but not
6 including other types of manufactured homes; or

7 (D) used exclusively by the owner of a homestead on the same
8 parcel, for domestic purposes, as part of the homestead.

9 (d) Mixed-use parcels. A parcel with two or more portions qualifying as
10 different classifications shall be classified proportionally as follows:

11 (1) Buildings shall be classified proportionally based on the percentage
12 of floor space used.

13 (2) Underlying land shall be classified proportionally based on the same
14 percentage as the floor space of the buildings.

15 (3) Notwithstanding any provision of this subsection to the contrary, the
16 entire parcel of land surrounding a homestead shall be classified as homestead
17 in accordance with subdivision 5401(7) of this title.

18 (4) In the case of a homestead with 25 percent or less of floor space used
19 for a business purpose, the parcel shall be classified as a homestead pursuant to
20 subdivision 5401(7)(F) of this title.

1 (g) If the property identified in a declaration under subsection (b) of this
2 section is not the taxpayer’s homestead ~~or if the owner of a homestead fails to~~
3 ~~declare a homestead as required under this section~~, the Commissioner shall
4 notify the municipality, and the municipality shall issue a corrected tax bill that
5 may, as determined by the governing body of the municipality, include a
6 penalty of up to ~~three~~ five percent of the education tax on the property.
7 ~~However, if the property incorrectly declared as a homestead is located in a~~
8 ~~municipality that has a lower homestead tax rate than the nonhomestead tax~~
9 ~~rate or if an undeclared homestead is located in a municipality that has a lower~~
10 ~~nonhomestead tax rate than the homestead tax rate, then the governing body of~~
11 ~~the municipality may include a penalty of up to eight percent of the education~~
12 ~~tax liability on the property.~~ If the Commissioner determines that the
13 declaration or failure to declare was with fraudulent intent, then the
14 ~~municipality~~ Commissioner shall assess the taxpayer a penalty in an amount
15 equal to 100 percent of the education tax on the property, plus any interest and
16 late-payment fee or commission that may be due. Any penalty imposed under
17 this section by a municipality and any additional property tax interest and late-
18 payment fee or commission shall be assessed and collected by the municipality
19 in the same manner as a property tax under chapter 133 of this title.
20 Notwithstanding section 4772 of this title, issuance of a corrected bill issued
21 under this section does not extend the time for payment of the original bill nor

1 relieve the taxpayer of any interest or penalties associated with the original bill.
2 If the owner of a homestead fails to declare a homestead as required under this
3 section, the Commissioner shall notify the municipality, and the municipality
4 shall issue a corrected tax bill. If the corrected bill is less than the original bill
5 and there are also no unpaid current year taxes, interest, or penalties and no
6 past year delinquent taxes or penalties and interest charges, any overpayment
7 shall be reflected on the corrected tax bill and refunded to the taxpayer.

8 * * *

9 (m)(1) Annually, on or before the due date for filing the Vermont income
10 tax return, without extension, each owner of a property with a dwelling, as
11 defined under subdivision 4152a(c)(1) of this title, that includes a dwelling that
12 is not declared as a homestead pursuant to this section, shall file a dwelling use
13 attestation describing how the dwelling will be used in the current year for
14 purposes of assigning a tax classification under section 4152a of this title. The
15 Commissioner may collect any additional information through the attestation
16 as required to administer the classification of properties pursuant to section
17 4152a of this title.

18 (2) If the Commissioner determines that a filed dwelling use attestation
19 contains errors or omissions, or a taxpayer failed to file an attestation as
20 required by this subsection, but does not find that the filing, or failure to file,
21 was made with fraudulent intent, the Commissioner shall notify the

1 municipality, and the municipality shall issue a corrected tax bill that may, as
2 determined by the governing body of the municipality, include a penalty of up
3 to five percent of the education tax on the property. Any penalty imposed
4 under this subdivision and any additional property tax interest and late-
5 payment fee or commission shall be assessed and collected by the municipality
6 in the same manner as a property tax under chapter 133 of this title. The
7 municipality assessing and collecting any fee, interest, or commission under
8 this subdivision (2) shall retain it to pay for municipal services.

9 (3) If the Commissioner determines that a filed dwelling use attestation
10 contains errors or omissions, or a taxpayer failed to file an attestation as
11 required by this subsection, and further finds that the filing, or failure to file,
12 was made with fraudulent intent, then the Commissioner shall assess the
13 taxpayer a penalty in an amount equal to 100 percent of the education tax on
14 the property, plus any interest and late-payment fee that may be due. The
15 Commissioner shall further notify the municipality, and the municipality shall
16 issue a corrected tax bill. Any penalty imposed under this subdivision and any
17 additional property tax interest and late-payment fee shall be assessed and
18 collected by the Commissioner.

19 Sec. 5. PROPERTY TAX CLASSIFICATIONS; TRANSITION; DATA
20 COLLECTION

1 For calendar year 2027, the Commissioner of Taxes shall amend and create
2 forms so that taxpayers report information on the use of their property for such
3 property to be classified as homestead, nonhomestead residential,
4 nonhomestead nonresidential, or a proportional classification of those uses.
5 The information collected, and classifications determined, shall align with the
6 definitions and requirements of this act. The Commissioner shall use the
7 information to determine and assign a tax classification for every grand list
8 parcel, and on or before October 1, 2027, the Commissioner shall provide that
9 information to the Joint Fiscal Office.

10 Sec. 6. REPEALS

11 2025 Acts and Resolves No. 73, Secs. 60 (grand list contents), 61 (property
12 tax classifications), 61a (transition; data collection), 61c (rate multipliers;
13 intent), and 61d (prospective repeal) are repealed.

14 **Sec. 7.** TAX CLASSIFICATIONS; RATE MULTIPLIERS; INTENT

15 It is the intent of the General Assembly that the creation of a tax
16 classification system, and the specific tax classifications to be used by that
17 system, will be reevaluated at the same time as any further amendment of the
18 tax rate multipliers created under 32 V.S.A. § 6066(a) as amended by 2025
19 Acts and Resolves No.73.

1 **Sec. 8.** PROSPECTIVE REPEAL

2 In order to ensure successful implementation of education finance reform as
3 set forth in this act, in the absence of legislative action on or before July 1,
4 2028 that creates a new tax rate multiplier to be used in a tax classification
5 system, this act is repealed on July 1, 2028.

6 **Sec. 9.** EFFECTIVE DATE

7 (a) This section, Sec. 7 (rate multipliers), and Sec. 8 (prospective repeal)
8 shall take effect on passage.

9 (b) Sec. 5 (transition provisions) shall take effect on January 1, 2027,
10 provided that the General Assembly has enacted new school district boundaries
11 between the enactment of this act and January 1, 2027.

12 (c) The remainder of this act shall take effect on July 1, 2028, provided that
13 the new school districts contemplated by 2025 Acts and Resolves No. 73 have
14 assumed responsibility for the education of all resident students and that the
15 expert tasked with developing a cost-factor foundation formula has provided to
16 the General Assembly the report pursuant to 2025 Acts and Resolves No. 73,
17 Sec. 45a to provide the General Assembly an opportunity to enact legislation in
18 consideration of the report.