

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 owned by a farm
11 employer, as defined under 9 V.S.A. § 4469a(2), and used to house the
12 employer’s farm workers for at least six calendar months, which need not be
13 consecutive, in the current calendar year. As used in this section, “farm
14 worker” means an individual employed in agriculture, without regard for
15 whether the individual is reported pursuant to 21 V.S.A. chapter 17.

16 (C) “Long-term rental” also means a dwelling owned by an employer
17 and used to house its employees for at least six calendar months, which need
18 not be consecutive, in the current calendar year. As used in this section,
19 “employee” means an individual who is reported by an employer for purposes
20 of complying with Vermont unemployment compensation law pursuant to 21
21 V.S.A. chapter 17.

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

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

6 (A) a homestead;

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

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

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

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

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

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

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

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

4 (5) If a portion of floor space is used for more than one purpose, the use
5 for which the floor space is most often used shall be considered the primary
6 use and the floor space shall be dedicated to that use for purposes of tax
7 classification.

8 (e) Forms. The Commissioner shall amend existing forms, and publish
9 new forms, as needed to gather the necessary attestations and declarations
10 required under this section.

11 (f) Use value appraisal. Nothing in this section shall be construed to alter
12 the tax treatment or enrollment eligibility of property as it relates to use value
13 appraisal under chapter 124 of this title.

14 (g) Appeals. Persons aggrieved by a decision to classify property for
15 taxation purposes under this section may appeal in the manner provided for
16 property valuation appeals under this title. The Commissioner shall provide
17 written guidance for municipalities to follow when hearing such appeals and
18 technical assistance if requested by a municipal official responsible for such
19 appeals.

20 Sec. 4. 32 V.S.A. § 5410 is amended to read:

§ 5410. DECLARATION OF HOMESTEAD; DWELLING USE

ATTESTATION

* * *

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

(2) If the Commissioner determines that a filed dwelling use attestation contains errors or omissions, or a taxpayer failed to file an attestation as required by this subsection, and further finds that the filing, or failure to file, was made with fraudulent intent, then the underlying municipality shall assess the taxpayer a penalty in an amount equal to 100 percent of the education tax on the property, plus any interest and late-payment fee or commission that may be due. Any penalty imposed under this section and any additional property tax interest and late-payment fee or commission shall be assessed and collected by the municipality in the same manner as a property tax under chapter 133 of

1 this title. The municipality assessing and collecting any fee, interest, or
2 commission under this subdivision (2) shall retain it to pay for municipal
3 services.

4 Sec. 5. PROPERTY TAX CLASSIFICATIONS; TRANSITION; DATA
5 COLLECTION

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

15 Sec. 6. REPEALS

16 2025 Acts and Resolves No. 73, Secs. 60 (grand list contents), 61 (property
17 tax classifications), 61a (transition; data collection), 61c (rate multipliers;
18 intent), and 61d (prospective repeal) are repealed.

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

20 It is the intent of the General Assembly that the creation of a tax
21 classification system, and the specific tax classifications to be used by that

1 system, will be reevaluated at the same time as any further amendment of the
2 tax rate multipliers created under 32 V.S.A. § 6066(a) as amended by 2025
3 Acts and Resolves No.73.

4 **Sec. 8. PROSPECTIVE REPEAL**

5 In order to ensure successful implementation of education finance reform as
6 set forth in this act, in the absence of legislative action on or before July 1,
7 2028 that creates a new tax rate multiplier to be used in a tax classification
8 system, this act is repealed on July 1, 2028.

9 **Sec. 9. EFFECTIVE DATE**

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

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

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