

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 \* \* \*

19 Sec. 2. 32 V.S.A. § 4152a is added to read:

20 § 4152a. PROPERTY TAX CLASSIFICATIONS

1        (a) Establishment. The grand list of a town shall include one or more tax  
2        classifications for each parcel of real estate. A parcel shall be classified using  
3        one of the general classes of real estate listed under subsection (b) of this  
4        section and based on the considerations set forth in this section and by  
5        guidance provided by the Division of Property Valuation and Review. The  
6        listers and assessors shall annually update the grand list to include a tax  
7        classification on or before June 1 of every year, using information submitted to  
8        the Department of Taxes pursuant to this section and subsection 5410(m) of  
9        this title. The tax classification may be updated after June 1 when a taxpayer  
10       files a, or corrects an erroneously filed, homestead declaration after June 1.

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

13            (1) homestead;

14            (2) nonhomestead nonresidential; and

15            (3) nonhomestead residential.

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

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

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

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

6           (2) “Homestead” has the same meaning as in subdivision 5401(7) of this  
7           title and means a parcel, or portion of a parcel, declared as a homestead on or  
8           before October 15 in accordance with section 5410 of this title for the current  
9           year.

10           (3)(A) “Long-term rental” means:

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

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

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

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

1 V.S.A. chapter 17 or a farm employee as defined by 9 V.S.A. § 4469a(a)(1),  
2 without regard for whether the farm employee is reported pursuant to 21  
3 V.S.A. chapter 17.

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

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

9 (A) a homestead;

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

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

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

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

17 (1) Buildings shall be classified proportionally based on the percentage  
18 of finished floor space used.

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

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

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

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

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

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

17           (g) Appeals. Persons aggrieved by a decision to classify property for  
18           taxation purposes under this section may appeal in the manner provided for  
19           property valuation appeals under this title. The Commissioner shall provide  
20           written guidance for municipalities to follow when hearing such appeals and

1 technical assistance if requested by a municipal official responsible for such  
2 appeals.

3 Sec. 3. 32 V.S.A. § 5410 is amended to read:

4 § 5410. DECLARATION OF HOMESTEAD; DWELLING USE

5 ATTESTATION

6 \* \* \*

7 (g) If the property identified in a declaration under subsection (b) of this  
8 section is not the taxpayer's homestead ~~or if the owner of a homestead fails to~~  
9 ~~declare a homestead as required under this section,~~ the Commissioner shall  
10 notify the municipality, and the municipality shall issue a corrected tax bill that  
11 may, as determined by the governing body of the municipality, include a  
12 penalty of up to ~~three~~ five percent of the education tax on the property.  
13 ~~However, if the property incorrectly declared as a homestead is located in a~~  
14 ~~municipality that has a lower homestead tax rate than the nonhomestead tax~~  
15 ~~rate or if an undeclared homestead is located in a municipality that has a lower~~  
16 ~~nonhomestead tax rate than the homestead tax rate, then the governing body of~~  
17 ~~the municipality may include a penalty of up to eight percent of the education~~  
18 ~~tax liability on the property.~~ If the Commissioner determines that the  
19 declaration or failure to declare was with fraudulent intent, then the  
20 ~~municipality~~ Commissioner shall assess the taxpayer a penalty in an amount  
21 equal to 100 percent of the education tax on the property, plus any interest and

1 late-payment fee or commission that may be due. Any penalty imposed under  
2 this section by a municipality and any additional property tax interest and late-  
3 payment fee or commission shall be assessed and collected by the municipality  
4 in the same manner as a property tax under chapter 133 of this title.

5 Notwithstanding section 4772 of this title, issuance of a corrected bill issued  
6 under this section does not extend the time for payment of the original bill nor  
7 relieve the taxpayer of any interest or penalties associated with the original bill.

8 If the owner of a homestead fails to declare a homestead as required under this  
9 section, the Commissioner shall notify the municipality, and the municipality  
10 shall issue a corrected tax bill. If the corrected bill is less than the original bill  
11 and there are also no unpaid current year taxes, interest, or penalties and no  
12 past year delinquent taxes or penalties and interest charges, any overpayment  
13 shall be reflected on the corrected tax bill and refunded to the taxpayer.

14 \* \* \*

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

1 as required to administer the classification of properties pursuant to section  
2 4152a of this title.

3 (2) If the Commissioner determines that a filed dwelling use attestation  
4 contains errors or omissions, or a taxpayer failed to file an attestation as  
5 required by this subsection, but does not find that the filing, or failure to file,  
6 was made with fraudulent intent, the Commissioner shall notify the  
7 municipality, and the municipality shall issue a corrected tax bill that may, as  
8 determined by the governing body of the municipality, include a penalty of up  
9 to five percent of the education tax on the property. Any penalty imposed  
10 under this subdivision and any additional property tax interest and late-  
11 payment fee or commission shall be assessed and collected by the municipality  
12 in the same manner as a property tax under chapter 133 of this title. The  
13 municipality assessing and collecting any fee, interest, or commission under  
14 this subdivision (2) shall retain it to pay for municipal services.

15 (3) If the Commissioner determines that a filed dwelling use attestation  
16 contains errors or omissions, or a taxpayer failed to file an attestation as  
17 required by this subsection, and further finds that the filing, or failure to file,  
18 was made with fraudulent intent, then the Commissioner shall assess the  
19 taxpayer a penalty in an amount equal to 100 percent of the education tax on  
20 the property, plus any interest and late-payment fee that may be due. The  
21 Commissioner shall further notify the municipality, and the municipality shall

1 issue a corrected tax bill. Any penalty imposed under this subdivision and any  
2 additional property tax interest and late-payment fee shall be assessed and  
3 collected by the Commissioner.

4 Sec. 4. 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. 5. 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. 6. 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. 7. 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. 8. 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.