

To: The House Committee on Ways and Means
From: Pollaidh Major, Vermont Housing and Conservation Board
Date: April 3, 2025
Re: Property classification implications for conserved land

The Vermont Housing and Conservation Board serves the dual mission of creating affordable housing for Vermonters, and conserving and protecting Vermont's agricultural land, forestland, historic properties, important natural areas, and recreational lands of primary importance to the economic vitality and quality of life of the State. Thank you for inviting us to speak to the affordable housing classification last week, and back today to speak to the categories that touch the agricultural lands, forest lands, natural areas and recreational areas that VHCB helps to conserve and support.

VHCB works to permanently protect land through the purchase of development rights and the placement of conservation easements. We also administer the Farm and Forest Viability Program that provides business coaching for working lands businesses. We see both our work to conserve land and support businesses as key strategies for supporting rural economic development. In following the property classification work of this committee, we are interested in understanding how this tax structure will impact rural parcels.

In speaking with forest and farm stakeholders about this legislation, the general feedback we received was that the ambiguity in the definitions raised questions around the legislation's impact. I plan to share the questions raised with you, but stakeholders also understand that it will be important to pay close attention throughout the rate setting and implementation process.

Treatment of agricultural lands and businesses

Currently, farmland has the potential to be classified in three primary categories.

- 1) Residential: land and buildings connected with a residence, but where there is no farm business.
- 2) Commercial: land and infrastructure connected with a farm business.
 - a. What are the tax implications for the economic viability of farm businesses if they are taxed at a rate similar to businesses that are less land and infrastructure intensive with higher margins?
- 3) Undeveloped: where there is unimproved agricultural land.
 - a. What is the definition of 'unimproved agricultural land'? For example: Would a hayfield qualify as 'unimproved'? What if that field was only cut in the second half of the season to provide bird habitat?
 - b. What is the definition of buildings with little or no value? How would this apply to sugar houses?
 - c. Would a forestry operation or sugar operation qualify as commercial or undeveloped land?

We recommend this committee hear from the Agency of Agriculture, Food and Markets for a more detailed analysis of how this classification could impact farms.

Undeveloped Land

Much of the non-agricultural conserved land would appear to qualify under the undeveloped land category. The questions was raised, how would certain improvements on land impact the parcel's ability to qualify as 'undeveloped'? For example, a forest parcel may have year-round truck roads for timber, have a trail network for mountain biking, or host a cell phone tower.

Intersection with Current Use

Current use adds to the economic viability of working lands businesses, both farm and forest businesses. It is a strong tool working to protect Vermont's landscape resulting in both ecological and economic benefits. While VHCB does not directly administer Current Use, we have seen it used by landowners as an effective bridge to permanent conservation. We support maintaining a strong current use program that can work effectively with properties across the classification system. Thank you for providing clarity section (d)(3) of the latest draft that the classification system does not alter eligibility or tax treatment of parcels enrolled in use value appraisal.

Conclusion

VHCB continues to appreciate this committee's work to establish a property classification system. We also appreciate the complexity of creating definitions that correctly set classifications for every property type, given the myriad of strategies, uses and arrangements landowners employ in the management of their land. We hope we can continue to work with the committee during the policy making process and also anticipate that there will be significant work as this system is implemented.

We would recommend the committee hear from additional witnesses who represent or work directly with agricultural and forest land owners. Additional witnesses could include: The Agency of Agriculture Food and Markets, the Vermont Farm Bureau, as well as the coalition of conservation organizations that make up the Forest Partnership (the Vermont Natural Resources Council, the Trust for Public Lands, Audubon Vermont, the Vermont Land Trust, Northeast Wilderness Trust, and the Vermont Chapter of The Nature Conservancy). In addition, we recommend you hear from organizations like Vermont Coverts or the Vermont Woodlands Association, who work with and represent owners of woodlots and rural lands.

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