Property Classification Comments – 4/3/25

The Department of Taxes opposes adding 9 new nonhomestead classifications to the grand list.

- Vermont cannot administer this successfully. Neither today, nor in the near future, especially as we prioritize establishing a regionalized approach to reappraisals.
- As administrators, we see a huge red flag trying to implement taxation concepts that are not used elsewhere.
  - Classifications in other jurisdictions are generally not based on present-day use.
  - Exception is Maui County's classification system in Hawaii, which is built on top of a strict and comprehensive zoning framework (which doesn't exist in Vermont).
- We have significant fairness concerns with the policy decision to not accommodate mixed use of properties.
  - Buildings that are 95% identical can have completely different tax treatments based on the use of the remaining 5%, like an office vs an apartment.
    - Example: an exempt nonprofit ("public use" classification) rents one building to another group; now entire parcel is classified as "commercial".
- Unlike Vermont's current homestead classification, in many cases the property owner (taxpayer) and property (user) are not the same. Yet the use of the property determines the tax rate paid by the owner under this draft.
  - Further, some improvements are built on leased land, so the owner of the real estate and the owner of improvements are different entities. Both are listed on the grand list. It's unclear whether use is determined by use by the owner (investment) or use by the owner of the improvements.
- It is highly confusing that some classifications under this draft are determined based on the prior calendar year and some on the current calendar year.
  - Retrospective classification of apartments, based on prior year Landlord Certificate, and homesteads, based on prior year homestead declarations.
  - It appears that all other classifications would be based on current year.
- This proposal would make the education property tax substantially more complicated than it is today. Both for tax administration and for taxpayers to understand and comply.

Recommendation**: Identifying present-day property use for unique tax treatment is complicated and difficult to administer. If there is one property use classification that**

policymakers would like to carve out from nonhomestead, then concentrate on successfully defining, identifying, and administering taxes on that one only.