
Land Value Taxation Supports Fiscally & Environmentally Sustainable Communities

Kati Gallagher | Sustainable Communities Program Director, VNRC

House Ways & Means | February 19, 2025



Not a new topic...

Sec. 19a. STUDY OF LAND VALUE, SPLIT RATE/TWO TIER

TAXATION


The Legislative Council and the Joint Fiscal Office, with the assistance of the Agency of Administration and the Department of Taxes, shall study the feasibility of a land value, split rate or two tier tax system that would allow municipalities to levy in any year separate and different rates of taxation on land and buildings in designated downtowns. The analysis shall evaluate the

www.leg.state.vt.us

NO. 114

Page 44

impacts on state and local revenues and state policy objectives, including preservation of downtowns. The study shall be submitted to the Senate Committee on Finance and the House Committee on Commerce by January 15, 2003.



TAX REFORM THAT Agrees With Vermont

Written by Brenda Hausauer for

The Vermont Fair Tax Coalition

March 1999

The Land Use – Property Tax Connection

A Guide and Workbook on the Tax Implications of Development in Vermont

Written by Deb Brighton and Brenda Hausauer

for

the Vermont Natural Resources Council



and

the Vermont League of Cities and Towns



December 2002



Act 181 §37 of 2024 Study Group

A Report to the General Assembly on Affordable Housing Incentives

Submitted to the Vermont General Assembly for Publication:
January 15, 2025



Our smart
growth land use
goals are
undermined by
our property tax
system.

We want to:

- Increase the supply of housing in our downtowns and village centers;
- Protect our farms, forests, and natural resources.

But there's some barriers:

- Housing supply crisis compounded by
 - In-migration by people/businesses with means
 - Speculative landholding
- Property tax system incentivizing low-value development, while consuming significant public infrastructure and land
- Rural state with limited municipal resources
 - Benefits of community investments going to select few



A Land Value Tax can advance Vermont's smart growth land use goals

By imposing a higher tax rate on land than the improvements upon it, a LVT can:

- Incentivize investments and infill in community centers;
- Yield a higher ROI for public infrastructure;
- Discourage speculation;
- Remove tax advantages for vacant, underutilized, or deteriorated properties in valuable downtown areas;
- Discourage sprawl & greenfield development pressure;
- Encourages development of affordable & accessible housing

LOW DENSITY

MEDIUM DENSITY

HIGH DENSITY

RESIDENTIAL



MIXED-USE



COMMERCIAL



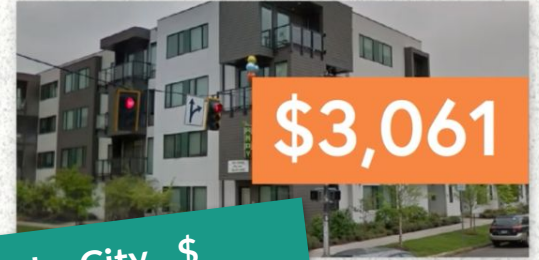
MORE VIDEOS

LOW DENSITY

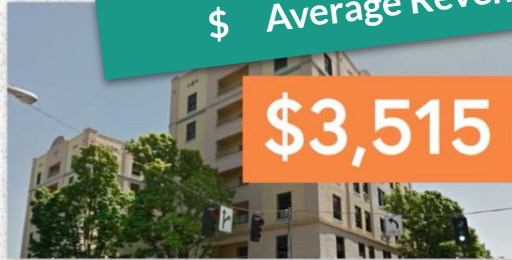
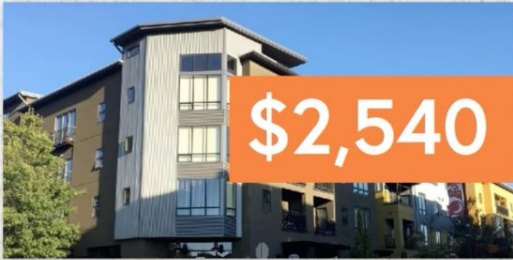
MEDIUM DENSITY

HIGH DENSITY

RESIDENTIAL



MIXED-USE



\$ Average Revenue for the City \$

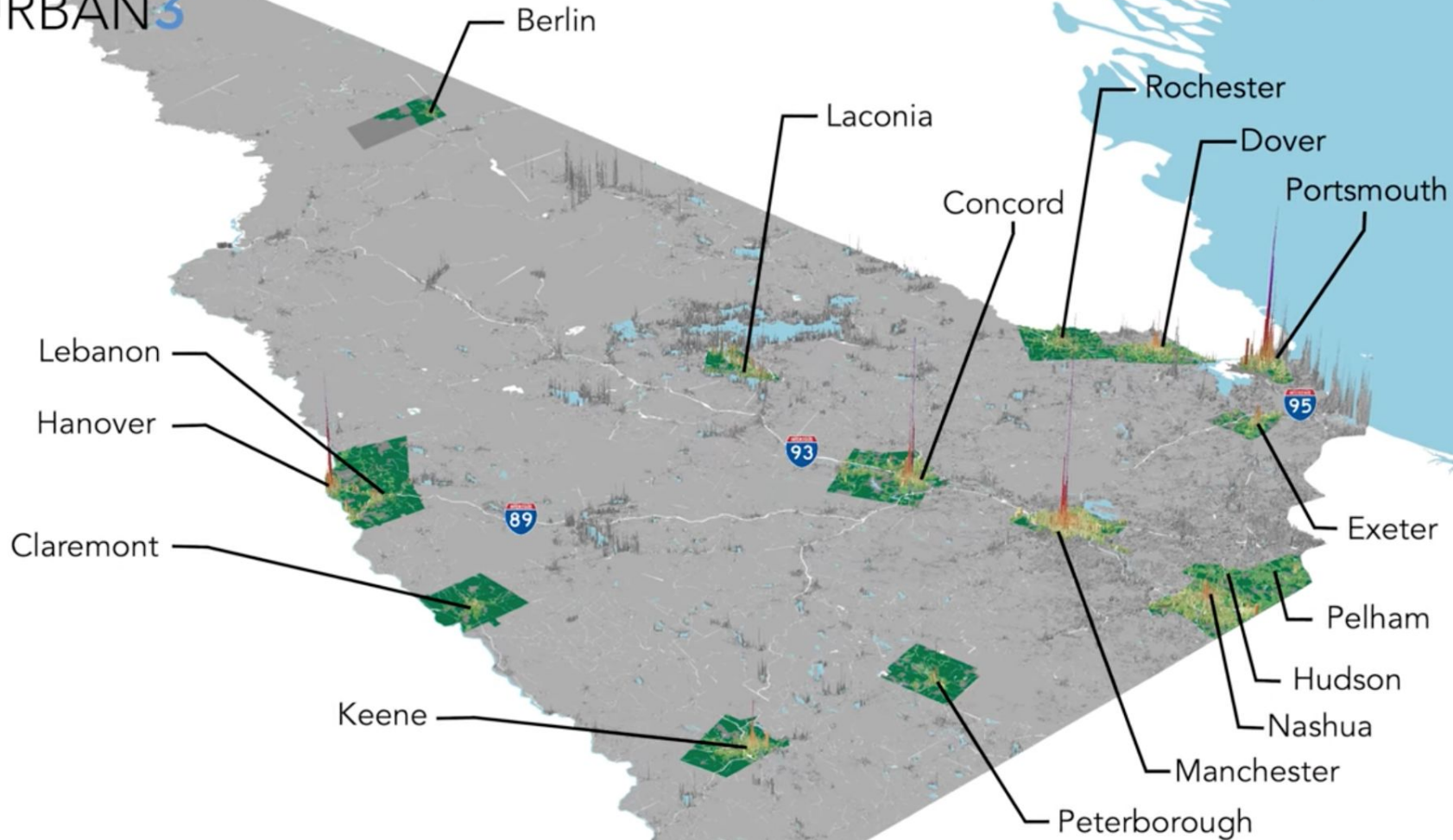
COMMERCIAL



MORE VIDEOS

Traditional, mixed-use, walkable neighborhoods dramatically outperform car-dependent suburbs.

URBAN³





What's next?

Conduct a feasibility study to:

- Collect and aggregate tax data to identify problems and patterns within Vermont's property tax system;
- Develop case studies of diverse Vermont towns to assess and visualize impacts of current and potential property tax policies;
- Explore unintended consequences and open questions, such as:
 - Equity considerations;
 - Alignment with TIF towns, current use, other property tax changes

Enable towns to use land value taxation:

- In their downtown centers if they choose, modeled after Pennsylvania's state law.
- Allow towns to determine the proportion of the property tax that will be raised from land values and the proportion raised from buildings and improvements.

Thank you!

Kati Gallagher | kgallagher@vnrc.org

