

Property Tax Classification Based on Use

Administrative Considerations

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Our mission is to serve Vermonters by administering our tax laws fairly and efficiently to help taxpayers understand and comply with their state tax obligations.



Terminology and an Important Distinction

- **Categories:** PVR has established 15 different property categories that are based on the “highest and best use” of the property (i.e., how it would be presented on the open market for sale). These categories are used by the town for valuation purposes and used by PVR for the equalization study.
- **Classification:** Allows jurisdictions to tax different types of property differently. Vermont currently has two tax classifications: Homestead and Nonhomestead.

Tax Classification: Key Components

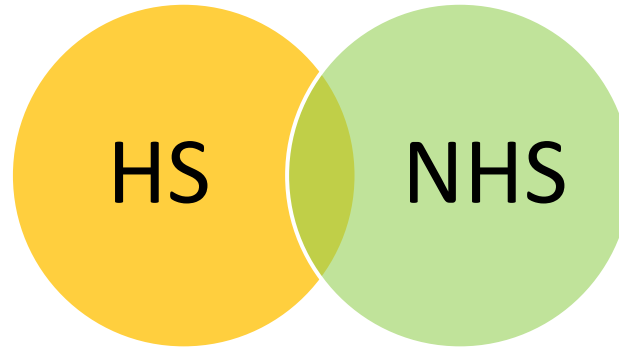
- **Definition:** Is the classification based on ownership, how the property *could be* used, or how the property *is being* used?
Note: the use of a property can and does change over time.
- **Identification:** How are properties in the class identified? Through a self-attestation made by the owner or through the determination of the taxing jurisdiction?
- **Mixed Use:** Different parts of a property can be used for different purposes. Is the entire parcel taxed based on the property's primary use or can multiple uses be reflected in how it's taxed?

Classification Components in Current Law and Ed Finance Proposal (dr 1.1)

	Homestead	Nine NHS Classes (Proposed)
Defn.	Dwelling and surrounding land owned and occupied as the owner's domicile	Definitions vary. Mostly based only on use but sometimes both ownership and use (for ski resorts)
I.D.	Identified through the annual (prospective) "homestead declaration" which is a type of self-attestation	Varies. Some annually established by local officials then refined/updated (by them) through hierarchical logic based on homestead declarations and landlord certificates (?)
Mixed Use	The portion of the property not being used as the owner's residence is taxed at the NHS rate	Entire property taxed at only one of the NHS rates regardless of square footage being used for that purpose (?)

Administration of Mixed Use in Current Law

A homestead property can have a non-homestead component



If part of the property will be used as a business or rental, it will be taxed as non-HS

These lines on the homestead declaration capture mixed use situations for the coming year:

- A2. Business Use of Dwelling A2. %
- A3. Rental Use of Dwelling A3. %
- A4. Business or Rental Use of **Improvements or Other Buildings**
Not including the dwelling, are improvements or other buildings located on your parcel used for business or rented? ... A4. Yes No

Resources

- Tax Department's [Act 73 Report](#) on Secondary Residences
- Tax Department's **Act 68 Report on Statewide Reappraisals and Property Data**, section on property classification: [pg. 31](#)
- **Lincoln Institute of Land Policy**, Property Tax Classification [Database](#)
The best source of information on what other states are doing in this space