

# Property Valuation and Tax Classification in H.454

Tax Department Recommendations

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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.



# Reappraisals in H.454

Background: Act 68 of 2023 created a 6-year reappraisal cycle starting January 2025

H.454 creates reappraisal assessment district (RADs) starting January 2030; requires annual progress reports to from Department from 2027 to 2030

Requires Department to consult with stakeholders and report back to Legislature next session on:

- Who should hold reappraisal contracts with firms
- Property valuation appeals
- Further statutory amendments to grand list assessment date and any other issues, including funding

Transitioning to new system 2027-2030

- Stops PVR from issuing new individual municipal reappraisal orders in 2027
- For municipalities under reappraisal order (from before 2027) that don't have a contract in place by 2030 – no longer required to reappraise individually
- Stops municipalities from entering into a new reappraisal contract individually after January 2027 (note many municipalities are booking firms for 2030 now)

# Classifications in H.454

## **New Property Classifications Effective 1/1/29**

Creates 4 property classifications instead of existing 2 (homestead and nonhomestead)

Requires classifications to be based on present-day and intended use for upcoming year

Sets one statewide education tax rate to be multiplied by a factor for each classification

- (1) Homestead (existing law)
- (2) Nonhomestead apartment (long-term rentals)
- (3) Nonhomestead residential (second homes)
- (4) Nonhomestead nonresidential (catch-all for everything else)

## **Responsibilities: Tax Department and Town Listers**

Action required by Department

- [\(1\)](#) Study how to implement classifications and identify second homes by 12/15/26
- [\(2\)](#) Amend/create forms as needed for property owners to report property uses in CY 28
- [\(3\)](#) Assign a classification to every grand list parcel and share list with JFO by 10/1/28

Requires listers and assessors to classify each parcel of real estate by June 1 annually. Partially relies on Department info (homestead declarations and landlord certificates)

# Summary of Recommendations

- Retain H.454's establishment of Regional Assessment Districts (RADs) and the related stakeholder working group
- Consider making the RADs the same as future school districts
- Strike the nonhomestead apartment classification
- Fine tune the nonhomestead residential (i.e. "second homes") definition so that Tax can more effectively speak to how to identify them in our report
- Move the Sec. 61b report date up to December 15, 2025 to be relevant to Senate transition timeline
- Include relevant technical edits from Tax Department

# Strike the Nonhomestead Apartment Classification

A separate classification for apartments would be hyper complicated to administer and would cost the Education Fund (assuming rentals were given a lower rate)

- If the policy goal is to make renting more affordable...

*Consider expanding the renter credit (paid out of the General Fund)*

- If the policy goal is to encourage the construction of apartments...

*Consider leveraging the existing programs that promote housing construction*

- If the policy goal is to encourage landlords to rent out their units long term rather than short term...

*Monitor the impact of the new short-term rental surcharge (which raises EF revenue)*

# Tax Classification: Key Components

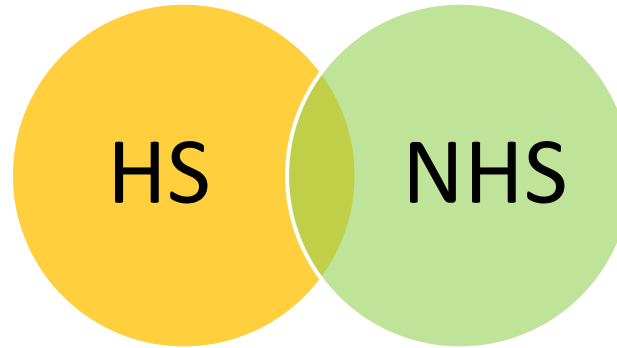
- **Definition:** Is the classification based on ownership, how the property *could be* used, or how the property *is being* used?  
Note: the use of a property can and does change over time.
- **Identification:** How are properties in the class identified? Through a self-attestation made by the owner 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

	Homestead	Nonhomestead
Definition	Dwelling and surrounding land owned and occupied as the owner's domicile	Default
Identification	Identified through the annual (prospective) "homestead declaration" which is a type of self-attestation	Default
Mixed Use	The portion of the property not being used as the owner's residence is taxed at the nonhomestead rate	

# 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



# H.454 “Nonhomestead Residential” Definition (Sec. 61)

Vague. Requires a lot of tax department administrative interpretation

“Nonhomestead residential” means a parcel, or portion of a parcel, with one or more dwelling units, **habitable on a year-round basis**, for which a homestead was not declared in accordance with section of this title for the current year, and a landlord certificate was not filed pursuant to section of this title in which the landlord **attested that the unit would be leased** to a long-term tenant for a minimum of six months in the current year.

This will require a *prospective* landlord certificate / declaration

# 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