

H.955

Definitions Matter

How redefining long-term rental, non-primary residence, dwelling unit, and bona fide landlord-tenant agreement in statute could subsume or disrupt Vermont tax, housing, and landlord-tenant law

Prepared for the Senate Finance Committee

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How We Got Here

Original discussion focused on blighted property improvements

Administration's goal in 2024 was to freeze property tax valuations for blighted properties only for primary residences or long-term rentals

Vermont Tax Commissioner Craig Bolio indicated he would use existing systems to benefit LTRs and PRs, not STRs and NPRs:

Homestead Declaration

Landlord Certificate

Goal was administrative simplicity, not intruding on privacy by using existing high participation tax forms

Vermont Has a Unique, Functional Framework

Vermont consistently uses 30 days as the dividing line between transient occupancy and tenancy in statute

STR taxation (Rooms & Meals + STR tax): < 30 days

LTR taxation as Rental Income: 30+ days (Burlington v. AirBnB case law)

Landlord Certificate & Renter Rebate: 30+ days

Tenant Rights: 30 days

Municipal STR ordinances: 30+ day thresholds

H.955 Creates a New Six-Month Standard With No Regard for Housing Policy

The proposal creates conflicting definitions:

Moving to a six-month threshold could constitute 'two bites at the apple' for STR taxation

Housing finance programs like CHIP & VHIP use 30 day threshold for LTR standard, participation would be discouraged with conflicting standards

Municipal ordinances would mean a single unit could be treated differently by state and local government

Tenant rights are strictly enforced after 30 days

Landlord Certificate would become confusing, null

Other Areas of Confusion

Some municipalities already define 'dwelling unit' for fee, registration, and code enforcement purposes

What is a bona fide landlord tenant relationship?

Family relationships alone should not invalidate bona fide tenancy agreements

Many informal agreements would be jeopardized, especially if language was vague about advance compliance

Property Classification vs. “Second Home Surcharge”

Residential property should not be classified differently **solely based on occupant identity or changes in use, which can change year to year**

If the physical unit remains the same, valuation should remain stable, even if taxed at a different rate

Behavioral distinctions belong in reporting for assessing a tax — not structure-based housing classifications between municipalities and Tax

Pick a lane: are we taxing vacancy or prohibiting second homes in certain contexts?

Risks to Vermonters

Potential unintended consequences include:

Loss of “medium-term” housing market – students, medical professionals, legislators, municipalities without hotels

STRs only a problem in a handful of communities

Litigation, confusion over tenancy status and landlord rights and responsibilities

Loss of integrity of the Landlord Certificate data

Municipal inconsistency

Reduced housing program participation

Diminished capital, bank lending for individuals and large housing projects

Increased compliance burdens on middle class when loopholes still exist for the ultra wealthy

Recommended Approach: Simplicity & Specificity to Close Loopholes

Maintain consistency, objectivity with Vermont's existing framework:

30-day distinction between transient occupancy and tenancy

PTT definition of non-primary residence – just updated in H.933

Existing **Landlord Certificate & Homestead Declaration** standards

Existing STR definitions, ordinances, taxation schemes

Existing CHIP & VHIP frameworks

Use enforcement tools instead of creating new occupancy definitions

Solve narrow tax policy concern through “landlord-tenant relationship,” Landlord Certificate, value threshold, or further study without destabilizing broader housing laws