



# **VERMONT DEPARTMENT OF TAXES**

## **REPORT FROM ACT 146 OF 2022: USE APPRAISAL PROGRAM (CURRENT USE)**

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**Office of the Commissioner  
Vermont Department of Taxes**

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**Submitted to  
House Committee on Environment and Energy  
House Committee on Agriculture and Forestry  
House Committee on Ways and Means  
Senate Committee on Natural Resources and Energy  
Senate Committee on Agriculture  
Senate Committee on Finance**

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### Versions

This revised version of Report from Act 146 of 2022 was submitted by the Tax Department on January 9, 2025, with text changes to the footnote on p. 4, correcting the method used to establish statewide stumpage value, and the first paragraph of p. 5, correcting the entities that conduct annual forest inventory surveys.

## Introduction

[Act 146 of 2022](#), an act relating to eligibility of reserve forestland for enrollment in the Use Value Appraisal Program, requires the Commissioner of Tax to submit a report that “examines the strategies and rates for the valuation of all land enrolled in the Use Value Appraisal Program and that recommends whether and how to ensure that the fiscal return to landowners and the State is consistent among use values and uses of the different categories of enrolled land.”

This report and recommendations were developed in consultation with fellow agencies as requested, specifically the Commissioner of Forests, Parks and Recreation, the Secretary of Agriculture, Food and Markets, and the Current Use Advisory Board.

## Summary

The Department of Taxes is not recommending any changes to Use Value categories calculations as of the publication of the report.

Relatedly, the Department of Forest, Parks and Recreation was tasked in Act 146 with providing another report in 2026 and recommends waiting for the results in that report before making any changes to Use Value Appraisal eligibility. There are major tax and land and forest management implications to even the most modest changes to the program.

Following consultation with the Agency of Agriculture, we are exploring changes to the Agriculture calculation to reflect the changing economic and environmental landscape of Vermont agriculture, as well as the impact of the Current Use program on the continued enrollment of agricultural parcels and buildings. This would require an Administrative Rule change.

## History and Current State of Use Value Rates in Vermont

Vermont is one of several states that administers a Use Value Appraisal Program, with various methods of property tax reduction in place in exchange for enrollment in this tax treatment. In Vermont, the Current Use Advisory Board sets the annual Use Values each February. This Use Value replaces the Fair Market Value of the enrolled land and buildings, in order to reduce enrollees’ overall property tax liability.

Landowners may apply to have eligible land and farm buildings enrolled in the program. In return for agreeing to keep the property in agricultural and forest production, the landowner pays both education and municipal property taxes based on Use Value rather than Fair Market (assessed) Value. Enrolled land is subject to a conditional lien held by the State of Vermont to guarantee payment of the Land Use Change Tax (LUCT). LUCT is due when the property is developed or if the owner wished to remove the lien.

Vermont's specific methodology used in the Determinations of Use Values for the Current Use Program were articulated in a 2010 memo from the Department of Taxes and then memorialized in Act 160 of 2010. It reads as follows:

Annually the Current Use Advisory Board (CUAB) sets values for the agriculture and forest programs within the overall current use program. The values are intended to reflect the productive capacity and income producing capacity of enrolled agriculture and forest land. As such, the use values are intended to look solely at the agriculture and silvicultural return from the land without regard to any other type of value, such as recreational or developmental, that would be included in a traditional fair market value analysis.

## **Agriculture Use Value**

The CUAB uses a rental value methodology for the determination of the agriculture use value. The rental values are generated by Farm Service Agency (FSA) county committees. The Vermont Agency of Agriculture may from time to time conduct an independent survey of regional agricultural land rental rates to verify the accuracy of the FSA rent rates.

Values for Vermont's 14 counties are averaged for cropland and pasture and then weighted by the proportion of cropland and pasture in the state and the relative acreage of the county cropland and pasture acreage to that of the state. The resulting weighted average is then averaged with comparable values over a five-year period and the result is then capitalized.

The capitalization rate is determined using three components: cost-of-capital, risk, and statewide effective tax rate. The resulting value is then averaged with the four prior years' agriculture use values as adopted by the CUAB. The resulting average ensures that there will not be major shifts in the value. The board annually reviews the methodology with the resulting agriculture use values and votes as to whether to adopt that value for the forthcoming year.

## **Forest Use Value**

The CUAB uses a formula that estimates the income return that an acre of forest land will provide to its owner to determine the forest land use value. To do this, the methodology uses statewide current stumpage values for timber to estimate the projected annual stumpage value that remains in Vermont forests.<sup>1</sup> The statewide estimated stumpage value is then expressed on a per acre basis and reduced to reflect the cost to forest landowners of managing their

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<sup>1</sup> Stumpage value is the dollar amount that a forest landowner receives for harvested timber. The statewide value is obtained using a survey that considers stumpage values over the four most recently published quarters as reported to the Vermont Department of Forest, Parks and Recreation.

property. What remains after netting is a value per acre that could be realized by the owner at the time of harvest. The estimates of the remaining stumpage value and forested acres are factors established by annual forest inventory surveys conducted by the Vermont Department of Forst, Parks and Recreation and USDA Forest Service Inventory and Analysis program, respectively.

Once a net per acre monetary return to owner has been determined, the amount is capitalized to estimate the present value of future monetary benefits that can be derived from an acre of typical forestland. The single year per acre value is then averaged with the four preceding years of actual use values as set by the CUAB to come up with a statewide forest land use value to be used in the coming year<sup>2</sup>. The board annually reviews the methodology and the resulting forest land use value and votes as to whether to adopt that value for the forthcoming year.

The use values established by the Current Use Advisory Board for the 2024 tax year beginning April 1, 2024, are:

Category	Last Year's Use Value (per acre)	2024 Use Value (per acre)
Agricultural Land	\$456	\$483
Productive/Nonproductive Forestland	\$187	\$188
Productive/Nonproductive Forestland Greater Than One Mile from a Class 1, 2, or 3 Road	\$140	\$141
Enrolled buildings	Taxed at \$0	Taxed at \$0

**To Calculate the Use Value of Enrolled Acres**

$$(\# \text{ Enrolled Acres}) \times (\text{Use Value}) \times (\text{Town CLA}) = \text{Use Value of Enrolled Acres}$$

Repeat this for each Category of Enrolled Acres, if applicable, then add the Use Values of each Category together to get the total Use Value of Enrolled Acres.

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<sup>2</sup> The statewide use value is adjusted for forest land that is more than a mile from a Class 1, 2 or 3 Road. The more than-a-mile adjustment reduces the forest land use value by 25% to reflect the additional management costs associated with land that is more difficult and expensive to access.

## Then to Calculate the Exemption

(Full assessed value of Enrolled Acres) – (Use value of Enrolled Acres) = Exemption

See [PVR Annual Report](#) for historical Use Values.

## Findings and Recommendations

Act 146 of 2022 requests that this report include recommendations on “how to ensure that the fiscal return to landowners and the State is consistent among use values and uses of the different categories of enrolled land.” Vermont’s construct of a single statewide use value for the three categories inherently does create different benefits for different landowners, as real estate and land values differ widely across regions of the state. It is very hard to quantify an equitable benefit. For instance, 25 acres of agricultural land in Essex County may have a very different fair market value than 25 acres in Chittenden County, and therefore the savings and benefits of enrollment will be very different as well.

However, the impact of the three existing Use Values on property tax liability in any region is still significant and has been a steady and widely accepted application of savings by landowners.

Any further subcategories of enrolled land would prove administratively burdensome with little benefit. For instance, the context of Act 146 was the implementation of reserve forestland as an eligible category. Currently there are fewer than 2,000 acres of reserve forestland in Vermont, out of 2 million acres of forestland, which is not significant enough to adjust use values. The change to include reserve forestland is too recent to measure what the “value” would be for any further subcategory.

Sugarbush can currently be enrolled under either agriculture or forestland. It has been explored as a candidate for a different use value based on taps per acre. See the 2016 [Report on Sugarbush Enrollment Options in UVA](#) from Forest, Parks and Recreation. In addition, Forest Parks and Recreation was tasked in Act 146 with providing another report and recommends waiting for the results in that report before making any changes to UVA eligibility.

There are major tax and land and forest management implications to even the most modest changes to the UVA Program. The Department of Taxes is not recommending any changes to Use Value categories calculations as of the publication of the report.