

VERMONT DEPARTMENT OF TAXES

REPORT FROM ACT 73 OF 2025: PROPERTY TAX CLASSIFICATIONS IMPLEMENTATION REPORT

December 15, 2025

Submitted to
House Committee on Ways and Means
Senate Committee on Finance

Prepared and Submitted by
Office of the Commissioner
Vermont Department of Taxes
Special thanks to the Department’s Finance Division Intern,
Gabriel Palmer, Middlebury College Student

Vermont Department of Taxes
133 State Street
Montpelier, VT 05633-1401

802-828-2505
tax.vermont.gov

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VERMONT
DEPARTMENT OF TAXES

Table of Contents

Legislative Charge

Act 73 of 2025, Sec. 61b:

Sec. 61b. PROPERTY TAX CLASSIFICATIONS IMPLEMENTATION REPORT

(a) The Commissioner of Taxes shall study the implementation of new property tax classifications under this act and identify any further actions required by the Department of Taxes, Vermont municipalities, and the General Assembly to successfully implement the new tax classification system on the timeline established by this act. The issues considered by the Commissioner shall include any adjustments to the statutory definitions, any needed changes to existing forms, whether new forms or taxpayer filings are needed, and how the Department could identify parcels with dwelling units that do not have an affiliated homestead declaration or landlord certificate on file.

(b) The Commissioner shall additionally recommend sets of tax rate multipliers to be applied under 32 V.S.A. § 5402(a) as amended by this act.

(1) The Commissioner shall recommend a multiplier set that would ensure any new revenue derived from the nonhomestead residential classification would cover the cost to the Education Fund caused by the homestead property tax exemption under 32 V.S.A. § 6066(a) as amended by this act.

(2) The Commissioner shall recommend a different multiplier set that would ensure that any new revenue derived from the nonhomestead residential classification would mitigate forecasted property tax increases on homestead property taxpayers caused by the implementation of this act.

(c) On or before December 15, 2025, the Commissioner of Taxes shall submit a study report detailing the Commissioner's findings under this section to the House Committee on Ways and Means and the Senate Committee on Finance.

Executive Summary

Sec. 61b of Act 73 of 2025 required the Department of Taxes to study the implementation of the new property tax classifications created under the Act. The Act kept the "homestead" classification the same while dividing Vermont's existing "nonhomestead" classification into two classifications:

- "Nonhomestead residential" is a new tax class is being created for residential property that is not being used as someone's long-term residence, which would allow for differentiated tax treatment.
- "Nonhomestead nonresidential" would include all other nonhomestead property such as apartment buildings, business property, and open land.

According to the definition provided in the act, nonhomestead residential means "a parcel, or portion of a parcel, for which a homestead was not declared in accordance with section 5410 of this title for the current year and that has a residential property, as defined by the Commissioner by rule." This report explains the further actions that will be needed by the General Assembly, the Department of Taxes, and municipal officials to implement this classification.

In summary, the actions needed will be:

- The General Assembly to define "dwelling units" in this context and further refine the definition of the nonhomestead residential class,
- Municipal officials to identify all dwellings that fit the new definition (including their square footage and other information), and
- The Department of Taxes to establish a new form so that property owners with up to four dwelling units can indicate how their dwelling unit(s) will be used in the coming year.

The concepts and recommendations in this report draw from the Department of Taxes' review of how similar "nonhomestead residential" classifications are administered in the handful of jurisdictions that have enacted them or are planning to enact them based on recent legislation. Notably, those jurisdictions have elements of their property tax systems that make administering this type of tax more straightforward such as:

- Property use attestations filed directly with local tax administrators
- Restrictive zoning and permitting requirements
- Property values that are redetermined annually
- Individualized dwelling unit values
- Sufficient personnel available for system monitoring and administration

Given that Vermont's property tax system does not currently have any of these elements, the implementation approach outlined in this report leverages existing Vermont state forms and local assessment practices as much as possible, while trying to minimize new paperwork for Vermont property owners and new work for the municipal officials who are primarily responsible for administering Vermont's property tax system.

Part 1 of the report provides more detail on the implementation plan and discusses various policy and technical considerations for each step of the plan. It also lays out the timeline necessary for the new classification to take effect by July 1, 2028, in accordance with Act 73. This part of the report includes recommended adjustments to statutory definitions, changes needed to existing forms, and the overall framework for identifying dwelling units that do not have an affiliated homestead declaration or attestation of use as a long-term rental. This section of the report also describes potential complications and risks of the new classification to the State and its taxpayers so that mitigation strategies can be developed.

Part 2 of the report estimates the potential tax base of the new tax classifications and presents tax rate multiplier sets in fulfillment of Sec. 61b(b)(1) and (2) of the statutory charge. The first set of multipliers would ensure the revenue generated from the new classification matches the projected cost of the "homestead exemption" passed in Sec. 52 of Act 73. The second set of multipliers would mitigate homestead property tax rate increases projected to occur in some towns because of the uniform homestead rate structure created in other parts of the Act.

Please Note: Sec. 70 of Act 73 explains that the Department's work of implementing the new classification system will only proceed if new school district boundaries have been enacted by the General Assembly on or before January 1, 2027. Sec. 70 also provides that the additional classification will only take effect if the newly created school districts are operating and educating all resident students on or before July 1, 2028. Further, Sec. 61d of Act 73 makes the additional classification contingent on legislative action approving tax rate multipliers to be used in the classification system on or before July 1, 2028.

A Note About Classification Terminology

For the sake of brevity, the nonhomestead residential classification is abbreviated to "NHS-R" in many places in this report. The nonhomestead nonresidential classification is often abbreviated as "NHS-NR." If the three-classification system takes effect, policymakers should consider renaming the new nonhomestead nonresidential classification to a name like "nonhomestead commercial." Additionally, since apartments are included in this classification, it is not entirely accurate to describe it as "nonresidential" property.

Part 1: Implementation of the Nonhomestead Residential Classification

The essential elements of implementing Act 73's new nonhomestead residential (NHS-R) tax classification can be grouped into three conceptual blocks. Those blocks are:

- **Defining** what constitutes nonhomestead residential property
- Deciding how to handle "**mixed-use**" properties where a single parcel has a portion used for one purpose (such as residential) and a portion used for another (such as commercial)
- A process for **identifying** those parcels or portions of parcels

These three blocks are not discrete pieces or steps in implementation but are in fact interconnected and interdependent components of the system. Before discussing the steps and timeline necessary for implementation, it is important to note some foundational assumptions the Department has made regarding these three elements in designing the required implementation plan. Please note that a change to the assumptions below could potentially impact what would be required for implementation.

Definition

While not explicitly exempted from the definition of nonhomestead residential in Act 73, the Department has assumed in this report that dwellings rented on a long-term basis would be excluded from the new NHS-R classification. This assumption is based on the end of Sec. 61b(a) of the report's legislative charge where it asks "how the Department could identify parcels with dwelling units that do not have an affiliated homestead declaration or **landlord certificate** on file." We interpret that to mean that the legislative intent is to exclude apartments that are rented long term from the new classification.

The Department also decided that seasonal residences should not ultimately qualify as "residential property" or a "dwelling". The Act instructs the Commissioner of Taxes to define the meaning of residential property by rule, and it is assumed that the eventual definition would attempt to mirror as closely as possible existing local practices regarding what qualifies as residential property, which does not include seasonal property.

Under current practice, local listers and assessors are already categorizing seasonal properties separately for the purpose of the equalization study. However, dwelling units that are not suitable for year-round habitation are not consistently monitored or recorded. Units that could be lived in year-round are mostly already recorded in "Computer Assisted Mass Appraisal" (CAMA) systems, but there is inherent subjectivity involved in that distinction. Regardless, it is the Department's opinion that maintaining that distinction in the definition would help minimize new work for local officials.

Maintaining the distinction between seasonal property and residential property suitable for year-round habitation would also have the benefit of making the new classification relatively consistent with the Property Transfer Tax surcharge on "second homes" that was passed in Sec. 73 of Act 181[1] of 2024. From a property owner's perspective, this means that a seasonal property not taxed as a second home at the time of purchase would continue not to be taxed as a second home in the context of annual education property taxes.

Assuming seasonal property will eventually be excluded from the definition of "residential property" or "dwelling" affects both the implementation plan in Part 1 of the report and the tax rate multipliers estimate in Part 2.

As part of the research for this report, the Department reached out to the Vermont Association of Listers and Assessors (VALA) to gather feedback on the feasibility for listers to distinguish between seasonal and year-round dwellings. 62.5% of respondents said that it is possible and 37.5% of respondents said it is not possible. The results of that survey, including many useful comments from VALA members, are included in Appendix 1. Their feedback was used in the development of the implementation plan in this report.

Mixed Use

Further refinement of the statutory treatment of properties with more than one use is needed, as discussed in Step 1 below. The Department has assumed that owners of nonhomestead property will have the same option as homesteads currently do to indicate if a building or part of a building on their property will be used for a business purpose. This portion of their parcel would then be classified and taxed as NHS-NR as it is for homesteads.

Identification

As a result of the assumptions related to definitions above and the existing parameters of Act 73, the Department anticipates a more detailed property use attestation process will be needed than what currently exists, as described in Step 3 below.

While the Department believes the described set of definition assumptions will set the most administratively feasible path to implementing the new classification, there are still several policy decisions that will need to be made by the General Assembly, dwelling unit identification work that will need to be done by municipal officials, and form and process changes that will be needed from the Department of Taxes.

The following timeline sets out the further actions that will be necessary along with a summary of the policy considerations, decision points, and potential challenges.

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[1] https://legislature.vermont.gov/Documents/2024/Docs/ACTS/ACT181/ACT181 As Enacted.pdf

Step 1: January 2026 – May 2026

- General Assembly defines “dwelling unit” in this context.
- General Assembly refines Act 73 definition of nonhomestead residential.
- General Assembly defines what length of time qualifies a rental as “long term.”

Define Dwelling Unit

If the new classification is to be operational by July 1, 2028, then in the 2026 legislative session, the General Assembly will need to create a statutory definition of “dwelling” (or “dwelling unit”) for the purposes of the new classification.

Other definitions of dwelling exist in other areas of Vermont law, but in most cases, they are based on how a property *is being used*. In the classification context, the dwelling or dwelling unit definition is based on how it *could be used* according to the characteristics of the unit. This approach to property identification is consistent with listing practices, which categorize property (for the purposes of establishing its value and for the Department of Taxes’ Equalization Study) based on its “highest and best use;” not its actual use.

Highest and best use is a term of art in real estate appraisal that captures what is physically possible on a property, regardless of how the property may in fact be used at any given point in time. A definition of dwelling will be needed at this stage to set in motion the process of identifying all dwellings in the State, as described in the next step of implementation. This is a process that will to some extent depend on the definition created. The Department of Taxes has provided a potential definition of dwelling in Appendix 3 as a starting point for deliberations.

Refine “Nonhomestead Residential” Definition and Define Long-term Rental

The definition of “nonhomestead residential” as enacted in Act 73 will also need to be refined by the General Assembly in the 2026 legislative session. If the intent is to exclude dwelling units that are long-term rentals (as the Department has assumed), then this will need to be addressed in statute.

What constitutes long-term renting will also need to be distinguished from the filing requirements for a landlord certificate, as referenced in the Act 73, Sec. 61b report requirements. Currently, landlord certificates are required for any unit rented 30 days or more in the prior year.[2]

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[2] 9 V.S.A. § 4452(A)(4); 32 V.S.A. § 6069.

An updated definition of nonhomestead residential should:

- Reference individual dwelling units,
- Refer to rental use in the current calendar year instead of the prior one (which the landlord certificate currently does), and
- Establish a period of time that the unit needs to be rented to qualify as long term, such as for periods of 30 days or more for six months or more (to mirror the homestead and domicile definitions and eligibility for the renter credit).

Other policy decisions may need to be made around dwelling units that policymakers might want to exempt from the NHS-R classification, such as farmworker housing, mobile homes, or other situations.

Statute will also need to clarify how the underlying land in an NHS-R and NHS-NR mixed-use situation will be classified. For context, all land that is part of a homestead is currently classified as a homestead (and taxed at the homestead rate) because the statutory definition of homestead is "the principal dwelling and parcel of land surrounding the dwelling".[3] The Homestead Regulation further clarifies that "[t]here is no acreage limitation on a homestead. Accordingly, even if there are buildings or improvements on land contiguous to the homestead that are not homestead property […], the land is part of the homestead and will be taxed at the homestead tax rate."[4]

Together, the statute and regulations are clear that the land surrounding a dwelling on a homestead is always classified as homestead, and it will continue to be, absent statutory change. In practice, this means that when the owner of a homestead reports a business or rental use on their property, the portion of the *building value* used for that purpose is shifted to the nonhomestead classification, but the entirety of the *land value* is classified as homestead and taxed at the homestead rate.

With three classifications, how will the land value be classified and taxed in the case of, for example, a pottery studio that has an upstairs apartment used as a short-term rental? Will the land value be taxed as NHS-NR or NHS-R? Or will it somehow be apportioned? Act 73 says, “A parcel with two or more portions qualifying for different tax classifications under this section shall be classified proportionally based on the percentage of floor space used”. This is likely enough for the Department to develop rules about apportioning the *building value*, but it is unclear from the Act 73 language how the underlying *land value* should be taxed in a mixed-use situation.

Additionally, there is an open question for policymakers to consider whether, in a multi-dwelling building, a property owner could be using more than one adjacent dwelling and declare both as

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[3] 32 V.S.A. § 5401(7)(A)
[4] Vt. Reg. § 1.5401(7)(g)

their homestead. The statutory definition of homestead would need amendment in that case. If not, under the mixed use structure created by Act 73, each separate dwelling would be classified individually according to use, and the non-primary dwelling will be classified as NHS-R.

Step 2: June 2026-June 2027

- PVR develops guidance and assists municipalities.
- Municipalities identify all dwelling units meeting the statutory definition.
- Municipalities include number of dwellings in 2027 grand list submissions.

This step of implementation is the most significant and will require substantial work by the local officials who administer property taxes in Vermont.

Importantly, in many cases those local officials are voted town listers who receive a nominal stipend to do an increasingly complicated and underappreciated job. Much of the complexity involved in the position comes from obligations related to the post-Act 60 statewide education property tax, such as reviewing property sales for the equalization study, keeping track of State versus municipal exemptions, and properly classifying parcels (or parts of parcels) as homestead or nonhomestead. The addition of a third classification will make listers' work much more complicated and time-consuming, and the new work will be in service of a new State revenue stream, not a municipal one.

The initial work required for this implementation step—identifying all dwelling units—is likely to be most challenging in small towns with the fewest resources, where elected listers are often minimally compensated and work part time. These communities may also have higher concentrations of seasonal properties and, in some cases, no zoning, resulting in incomplete or inconsistent records of dwelling units.

For these reasons, if the State provides funding for this implementation step, it may be more appropriate to base funding on a metric other than parcel count, such as acreage or a flat grant amount. Because of the new work involved, policymakers might also consider allowing municipalities to piggyback off the new classification for local revenue or retain a higher percentage on this new NHS-R tax classification than on the other two. Currently, municipalities are allowed to retain 0.225% of all education taxes collected and timely remitted.[5]

[5] 32 V.S.A. § 5402(c)(2)

The Division of Property Valuation and Review (PVR) at the Department of Taxes will also need to quickly develop guidance and assist municipalities with this campaign. Small towns will likely need the most assistance.

The work of identifying year-round dwelling units will require several steps for local officials. The first step will be to look through existing parcel records to see if units can be identified that fit the Commissioner's guidance around what constitutes "fit for year-round habitation." For cases where there is ambiguity, the municipality might need to reach out to the property owner for more information.

For each confirmed dwelling unit, the town will need to verify the square footage. Square footage is critical because dwelling units do not currently have their own taxable values in the Grand List and later, when the unit is taxed, value will need to be apportioned to each unit based on square footage.

Each unit will also need to be uniquely identified so when the owner makes an attestation regarding how their dwelling units will be used, that information can be crosswalked with town records for proper classification. Following Act 60, the State developed a unique identifier system called the "School Property Account Number" or SPAN that is assigned to each *parcel* but individual *dwelling units* do not currently have their own identifiers. Because of that, towns will need to record what each unit is called, which could be an apartment number, a floor, or even just a descriptor such as "above the garage."

Following the initial campaign to identify dwelling units, a system will need to be put in place so that towns are made aware of new year-round dwellings as they are created, especially in towns without zoning. One possibility to address this issue would be to require, by law, that towns be made aware of the creation of new dwelling units. Even during reappraisals, it might not be possible to confirm dwelling units exist, because interior inspections are not performed on every property. To ensure fair taxation, there will need to be an ongoing exchange between property owner and town about the status of dwelling units on each property.

Despite this step being the most challenging part of the implementation plan, the resulting data could potentially benefit the State in other ways even if the new classification never takes effect. Various stakeholders in State and municipal government are carefully monitoring the housing stock right now and having more access to standardized data on the number of year-round dwelling units could be helpful to their efforts. However, the amount of data collected on each dwelling unit should be kept to a minimum and be limited to what is needed for implementation of the new classification and property taxation.

First Contingency: January 1, 2027

Per Sec. 70 of Act 73, the collection of data to classify properties will not proceed unless the General Assembly enacts new school district boundaries by this date.

Step 3: January 2027- May 2027

- General Assembly passes requirement that owners of parcels with between one and four dwelling units annually attest to the use of each dwelling unit.
- General Assembly defines penalties for fraudulent attestations.
- General Assembly clarifies classification appeals.

Attestation Requirement

Assuming the January 1, 2027, contingency above is met, the General Assembly will need to enact the requirement that the owners of any parcel with between one and four dwelling units must annually attest to the use of each one of their dwellings. This action would need to be taken in the 2027 legislative session so the Department of Taxes can create the form in time for the 2028 filing season.

The requirement should be limited to parcels with between one and four units because of the complexity involved in apportioning parts of building values and the reality that apartments in larger apartment buildings tend to be long-term rentals rather than short-term rentals.[6] Also, listers already record parcels with five or more apartments in a separate grand list category, so excluding that category will limit some of the work listers have to do in tracking individual dwelling units and their square footage, as described in Step 2. Limiting the requirement this way will also have the effect of exempting the owners of commercial apartment buildings from the reporting requirements, which would be onerous for a building with many units.

In current law, owners of Vermont's approximately 173,000 homesteads must declare their property as such each year.[7] Landlords are also required to file a landlord certificate for each rental property they own.[8] The Department receives about 8,400 landlord certificates each year representing approximately 60,000 dwelling units.

Owners of second homes and short-term rentals are not currently required to file an attestation of any kind, so this requirement would represent a new obligation for them. Submitting the form will allow the owners to indicate if any of their dwelling units qualify as exempt and allow them to report if any other buildings on the property are used for an NHS-NR purpose. If there is commercial use of the parcel, the details from the form would also help guide local officials on

[6] According to VHFA, in 2025 only 1,900 out of Vermont's 12,000 short term rentals are apartments.
[7] 32 V.S.A. § 5410
[8] 32 V.S.A. § 6069

how to apportion the land value. Failure to file the form for a parcel that has between one and four dwelling units would result in the entire parcel being classified as NHS-R.

Caution: Impact on Homestead Declaration Non-filers

Under current law, if a homestead declaration is not filed, a parcel is classified and taxed as nonhomestead.[9] Most people are prompted to file their homestead declaration as part of their income tax filing because the form is included in the income tax booklet and it is due at the same time, although it can be filed separately.[10]

In recent years, the Department has received around 173,000 homestead declarations per year, but according to the Census, the number of owner-occupied housing units in Vermont could be closer to 200,000. This means there is a significant population of homeowners who do not file the homestead declaration, which could be because their income is low enough that they are not required to file an income tax return, or it could be for other reasons. Under current law, these properties will be taxed as nonhomestead.[11]

The nonhomestead rate is higher in about three quarters of Vermont towns by about 20 cents, on average. For a lower value home, the tax impact of failing to file a homestead declaration might be small. In a future rate environment with three classifications, these homeowners could be subject to an NHS-R rate that is substantially higher than the homestead rate (discussed more in part 2 of the report). In that case, the tax impact of not filing a homestead declaration could be much greater.

State or Towns to Administer Forms

Not all property owners interact with the Department of Taxes, but all property owners interact with the towns where they own property because the town is the entity that sends tax bills and collects tax payments. Vermont's current arrangement where property use is declared at the State level and then communicated back to the town for classification, is indirect and inefficient and can lead to the misclassification described above.

If the town will be the entity that interacts with all property owners, and if the town will be responsible for maintaining the information on dwelling units and for properly classifying values, it would in theory make more sense for the towns (not the State) to receive the annual declarations of use. It is unclear if that arrangement would create more work for towns compared to having attestations go to the Department. Alternatively, other options could include the towns having greater discretion on classifying property (at least in the first years of

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[9] 32 V.S.A. § 5401(10)(C)
[10] 32 V.S.A. § 5410
[11] 32 V.S.A. § 5401(10)(C)

the new system) or establishing a more streamlined portal between State and town for sharing dwelling use data.

Penalties and Appeals

There will need to be a penalty structure designed for cases where the use of a dwelling unit during the year was not what was attested to at the beginning of the year. Under current law, there is a penalty in place for homestead/nonhomestead classification errors, but that should be reexamined in light of the new NHS-R classification.[12] There will also need to be a penalty for dwelling units that were claimed as long-term rentals but were not in fact used that way.

Act 73 addresses classification appeals by allowing any person "aggrieved" by a decision to appeal in the same way that valuations are currently appealed, which is first to the town listers.[13] This appeal to the town makes sense when value is affected by the classification, but other contested facts may provoke appeals. There may be legitimate cases where the apportioning method using square feet does not yield an appropriate dwelling unit value, and policymakers should consider what the owner's rights are in those cases.

There will also be disagreements between owners and towns about the presence and use of dwelling units. The town might have a record of two dwelling units on a parcel from the last reappraisal, for example, but the owner has since knocked down a wall and torn out a kitchen, and claims that the separate dwelling unit no longer exists. There could be other reasons that the dwelling unit is not habitable on a year-round basis such that the owner would be compelled to appeal their classification.

The extraordinarily fact-heavy determination of both "use" and "dwelling" increases the risk for misclassification. This risk could be exacerbated by limited or outdated information at the town level or misclassification on an owner's attestation (both intentional and unintentional).

Addressing these situations will require further refinement of the appeals law created by Act 73, and other areas of the education tax and municipal tax appeals statutes in title 32.

[12] 32 V.S.A. § 5410(g)
[13] 32 V.S.A. chapter 129

Step 4: October 1, 2027

- Department of Taxes provides parcel by parcel classification data to the Joint Fiscal Office. (Act. 73, Sec. 61a)

By October 1, 2027, the Department of Taxes would merge the 2027 homestead declaration data and 2026 landlord certificate data with the 2027 parcel-level grand list data from towns (that will include dwelling counts after implementation step 2) to classify all parcels or parts of parcels for the Joint Fiscal Office.

This analysis will be imperfect in the case of mixed-use properties, because the form that captures all the detail needed for the new classification will be in development and will not be released until January 2028. Additionally, the landlord certificate data will be one year behind the homestead declaration data, because it is filed on a retrospective basis while the homestead declaration is prospective. Because apartments constitute a relatively small portion of the NHS-R tax base, it is possible that a correction could be applied to the aggregate figures used for FY29 tax rate setting even if parcel level detail is incomplete.

Step 5: January 2028 - April 2028

- Department of Taxes notifies all owners of parcels with between one and four dwelling units of their upcoming obligation to file the dwelling use attestation.
- Department of Taxes requires the owner of any parcel with between one and four. dwelling units to complete a form attesting to the use of each dwelling unit by April 15.

Notification Letter

Owners of property with between one and four dwelling units will need to be notified of their obligation to declare how their units will be used in the coming year. A notification letter including filing instructions and resources could be developed and mailed by the Department of Taxes; however the Department's information on owner name and address is only current as of April 1 of the prior year. The towns, on the other hand, have more up-to-date ownership information. One possible approach is for the Department to prepare and provide the letter to the towns, and the towns could handle the mailing with their address records.

Dwelling Use Attestation

Preliminarily, the Department projects that this Dwelling Use Attestation form could be a single standard form for the owner of any parcel with between one and four dwelling units. All property owners will use this form to indicate how their dwelling(s) and will be used and if other buildings or parts of buildings will be used for a commercial purpose so that the appropriate value can be apportioned, classified, and taxed as NHS-NR.

The new filing requirement will be the least disruptive for homesteads who have had an annual homestead declaration requirement since Act 68 made it mandatory in 2004. The new form could replace the current homestead declaration form; the owner of a homestead would simply indicate that a dwelling unit is their homestead on their Dwelling Use Attestation. For homesteads with only one dwelling unit, there will be virtually no change from what they do currently.

For homesteads with between two and four units, the owner will need to attest to how each of the other dwelling units that are not their homestead will be used. There is an open question for policymakers to consider whether, in a multi-dwelling building, a property owner could be using more than one adjacent dwelling and declare both as their homestead. If not, under the mixed use structure created by Act 73, each separate dwelling would be classified individually according to use, and the non-primary dwelling will be classified as NHS-R.

The importance of declaring a dwelling as a homestead (if it qualifies) should be emphasized in the letter because the NHS-R tax rate may be substantially higher. As is the case now, there would need to be a way for homesteads to indicate if a portion of their housesite (dwelling and surrounding two acres) will be used for a business or rental purpose, because that portion of the housesite is not eligible for a property tax credit (or homestead exemption in the future state).

The Dwelling Use Attestation form will be a new requirement for landlords with four or fewer dwelling units on their rental property, but it can be appended to the landlord certificate for more streamlined filing. Whereas the main part of the landlord certificate references the people who rented from the landlord in the prior year (for administering the Renter Credit), this attestation would be for each dwelling *unit* and would require the landlord to check a box attesting to how it will be used in the upcoming year.

Every owner of a dwelling will be required to file an attestation, but as proposed in the Department’s draft definitions, multi-family buildings with five or more units are considered part of the nonhomestead nonresidential class. This means that owners of larger apartment buildings will not be required to file an attestation.

For owners of dwellings that are neither homesteads nor long-term rentals, this will be a completely new requirement. They will need information on how and where to file and what the purpose of the form is. They will also need to know that the form allows them to declare an

NHS-NR component of the parcel (if there is one) and that failure to file the form will result in the entire parcel being taxed as NHS-R.

Step 6: June 2028

- Department of Taxes provides data to towns on dwelling use for adjusting their grand list.

The Department of Taxes currently sends data for Vermont's approximately 173,000 declared homesteads to towns in June of each year. Towns respond by moving the taxable value of a declared homestead into the homestead classification and apportioning the value of any nonhomestead component of the property (i.e., rental use or substantial business use) into the nonhomestead classification based on a percentage reported by the owner on their declaration.

The data transmission from the State to the towns will become more detailed in a three-classification environment. Homestead parcels with just one dwelling will be straightforward, but homesteads with more than one dwelling or nonhomesteads with between one and four dwellings will have data for each dwelling, including the dwelling name (such as "Apt. 1") and the classification as either NHS-R or NHS-NR.

Towns will need to apportion the value of a parcel between the three classifications based on this data. The work of towns classifying property ahead of the property tax year will increase significantly, especially in the first years of the new system. And as with the current process for homestead classification, the work of classifying properties would be ongoing and continue until the late filing deadline for the dwelling use attestation form.

Second Contingency: July 1, 2028

Per Secs. 61d and 70(f) of Act 73, classifications are repealed if three conditions are not met on or before this date:

- **legislative action must be taken on new tax rate multipliers;**
- **new school districts must be operating and educating all resident students; and**
- **the cost-factor foundation formula report must be provided to the General Assembly.**

Step 7: July 1, 2028 (FY29)

- Municipalities levy taxes on parcels or portions of parcels based on their classification.
- Appeals regarding classifications begin to be heard as determined by the General Assembly in Step 3.

Any owner of an NHS-R dwelling unit would first see the new classification on their FY29 property tax bill issued to them by their town. For any dwelling unit on their property that they did not declare as their homestead or a long-term rental, the value of that dwelling unit would be taxed at the NHS-R rate. If the parcel has just one dwelling unit (and no building used for a commercial purpose), then the entire value of the parcel will be taxed at the NHS-R rate. If the parcel has more than one dwelling with different uses, then the value of the NHS-R dwelling (based on the share of its square footage relative to the building) will be separated out and taxed at the NHS-R rate.

Importantly, this will be the first time the owner sees an individualized dwelling unit value, and as enacted under Act 73, they will never have had a chance to grieve or appeal that value. There may be legitimate cases and disagreements between owners and towns, including

- The square footage apportioning method and the resulting values assigned,
- The presence and use of dwelling units, due to the age and accuracy of town records,
- The habitability of dwellings, and
- Many other reasons that a dwelling unit could be misclassified.

Policymakers should consider what the owner’s rights to appeal their classification are in those cases, as discussed in Step 3. The extraordinarily fact-heavy determination of both “use” and “dwelling” increases the risk for misclassification.

As discussed in Step 2, in the first year(s) this classification is in effect there will be property owners who fail to file the dwelling use attestation form and are taxed at the NHS-R rate even though their parcel or dwelling unit is a homestead or long-term rental. Policymakers should consider what accommodations should be built in for those transitional situations.

Step 8: January 2029

- The Department of Taxes conducts compliance on dwelling use attestation.

After the 2028 calendar year has concluded and landlord certificates are available, the Department of Taxes will need to check to confirm that dwelling units declared at the beginning of the year as long-term rentals were in fact used that way.

A larger rate differential between homestead and NHS-R will increase the tax avoidance incentive for property owners to intentionally file inaccurately or to creatively structure their property uses. This will increase the administrative pressure on the Department to make sure that declared homesteads were actually used as the owners' domicile during the year. The Department will assess penalties for misclassified properties based on the penalty structure created by the General Assembly in Step 3.

Part 1 Conclusion

Vermont's current property tax system lacks many of the elements that would ideally be in place to actualize the new classification system created in Act 73. A multitude of further actions will be needed from the General Assembly, the Department of Taxes, and especially municipalities on a condensed timeline to try to prepare the system for the third classification.

The implementation plan described in Part 1 of the report makes use of the State's existing practices and processes as much as possible, but there are still substantial complications that need consideration. Some notable issues flagged above for policymakers include:

- Classification terminology,
- Multi-dwelling homesteads,
- Municipal resourcing or incentives,
- Appeal rights,
- Accommodations for property owners who do not have an income tax filing requirement, and
- Penalty structure.

Stakeholders and subject matter experts at all levels should be engaged to try to mitigate risks and alleviate complications as much as possible.

Part 2: Tax Rate Multipliers

This part of the report presents tax rate multiplier sets in fulfillment of the legislative charge in Sec. 61b(b)(1) and (2) of Act 73. The set of multipliers in Sec. 61b(b)(1) would match the revenue generated from the new classification to the projected cost of the "homestead exemption" passed in Sec. 52 of Act 73. The multipliers in Sec. 61b(b)(2) are designed to mitigate homestead property tax rate increases projected to occur in some towns because of the rate structure created in other parts of the Act.

For context, Act 73 created a uniform homestead tax rate statewide to support a uniform per pupil grant. This is a change from current law where homestead tax rates vary from school district to school district and are based on locally voted per pupil spending levels. This means that some districts that currently spend relatively lower amounts per pupil could see a tax increase as they transition to the uniform rate. The multipliers in Sec. 61b(b)(2) are designed to mitigate those projected increases.

Importantly, the estimates in this part of the report are provided for a sense of scale only. The multiplier sets are presented as rates so readers can easily compare them to current law. For a variety of reasons, the data is not available at this time to accurately estimate potential sets of tax rate multipliers that would balance the education fund in FY29. Those reasons are:

- Grand list amounts in this part of the report are based on the most recent year of data available, which is grand list year 2024 (FY25). The new classification would not take effect until four years later in grand list year 2028 (FY29).
- Homestead exemptions amounts are modeled from FY25 housesite values based on 2024 income; exemption amounts for FY29 would be based on 2027 income.
- Act 73's total educational opportunity payment amount for FY29 is unknown and other education fund sources of revenue and appropriation levels for FY29 are unknown.
- Supplemental district spending decisions and the resulting tax rates are unknown.
- The estimated NHS-R tax base is triangulated using FY25 data points,[14] because the data does not currently exist to accurately quantify it.

Given those limitations, here are the key inputs and assumptions used to generate the tax rate multiplier sets in this section of the report:

- The average equalized homestead rate in FY25 was about $1.30 (per $100 of equalized property value) and the statewide nonhomestead rate was about $1.39.
- $1,470M in property taxes were needed to balance the Education Fund in FY25 at the time of yield setting. This is the approximate amount raised by all multiplier sets presented in this part of the report.

[14] For the 2024 Grand List (FY25) any parcel with a housesite value and a building value that does not have an associated homestead declaration or landlord certificate and is in the Residential, Farm, Mobile Home, Miscellaneous, or Other categories

- The NHS-R tax base for FY25 is estimated to be between 30% and 40% of the existing nonhomestead grand list. The analysis used for the multipliers in this part of the report assumes it is 35%.

Multiplier Set 1

The first multiplier set required by Sec. 61b(b)(1) is designed to ensure that any new revenue from the NHS-R classification would cover the cost to the Education Fund caused by the homestead property tax exemption created by Act 73. The advantage of this approach is that it would link the new classification to a specific purpose (supporting the property tax exemption) beyond just raising revenue for the Education Fund.

There are many examples in Vermont law of taxes or surcharges dedicated to a specific purpose, such as the Clean Water Surcharge on property transfers. In this case, the surcharge would directly benefit other taxpayers in the same tax type. Like all tax expenditures, the homestead exemption as created in Sec. 51 of Act 73 has a statutory purpose, which is to "reduce the property tax liability Vermont households with low and moderate income."

Tying the revenue from the new classification to the cost of the exemption ensures that the exemption would not be paid for by the same households who are receiving it, which is a problem with the current law credit system. The cost of the exemption would also not be borne by the NHS–NR rate, a portion of which is paid by renters through their rent. In other words, resident homeowners and long-term renters would not be paying for the homestead exemption through higher rates.

Importantly, the cost to the Education Fund (in forgone revenue) of the homestead exemption varies depending on whatever homestead rate is in effect. A higher homestead rate increases the amount of forgone revenue to the Education Fund (and a lower rate decreases it) because the forgone revenue is equal to the rate multiplied by the exempted amount. At a $1.30 rate, which was the average statewide homestead rate in FY25, the cost to the Education Fund of the homestead exemption would be about $191M.

The NHS-R rate that would be needed to replace that amount of forgone revenue would then be $2.24. If the NHS-NR rate was left at $1.39 (as it was in FY25) almost $200M of *excess* property tax revenue would accrue to the Education Fund beyond what is needed. To balance the fund, the NHS-NR rate would need to be reduced to less than $1.00, which would be substantially less than the $1.30 homestead rate.

This rate inversion would be a major change from the relationship between the classifications that have been in place for all recent fiscal years on record (and will likely still be in place in FY28) where the statewide nonhomestead rate has been set a little higher than the average homestead rate. Given that context, the homestead rate should be set lower than the FY25 statewide average of $1.30 in this construct.

If the homestead rate was set to exactly $1.00, the cost of the exemption would be about $147.5M. A $2.00 NHS-R rate would raise very close to that amount of revenue ($138.6M) and in that scenario the NHS-NR rate could be left at $1.39, as it was in FY25. This multiplier set raises $3M more in property taxes than was needed in FY25 to balance the Fund.

In fact, if the NHS-NR rate is left at $1.39, mathematically this is the *only* solution that raises the target amount of revenue in aggregate while satisfying the condition that the revenue from the new classification must pay for the homestead exemption.

This is shown as "Set 1A" in the table below. If the NHS-NR rate is allowed to float, there are an infinite number of solutions that satisfy the condition that the NHS-R revenue must match the cost of the exemption.[15] To illustrate this, below is a table of possible multiplier sets that achieve the condition (rates are per $100 of equalized property value):

	FY25 actual	Set 1A	Set 1B	Set 1C	Set 1D
Homestead	1.30 (state avg.)	1.00	1.20	1.30	1.42
Nonhomestead – NR	1.39 (included in NHS)	1.39	1.20	1.10	1.00
Nonhomestead – R	1.39 (included in NHS)	2.00	1.96	1.95	1.92

One important consideration for policymakers in selecting a multiplier set is that the bigger the difference is between the rates, the more potential behavioral effects there might be. For example, if the NHS-R rate is much higher than the homestead rate or nonhomestead nonresidential rate, there would be more incentive to file fraudulent homestead declarations or claim that an apartment will be rented long term, when it will not be. This puts pressure on the Department's compliance work after the year is over.

Dealing with domicile issues is particularly challenging for the Department because it relies heavily on the individual facts in each case. Establishing domicile requires an individual to show an intention to make a residence their true, fixed, permanent home.[16] That home must be the place to which, whenever the individual is absent, they have the intention of returning.

No one factor is conclusive to determining domicile; the Department may consider any relevant factors, including

- The individual's statements,
- Time spent at the residence,
- Location of items near and dear,
- Active business involvement, and

[15] Where revenue from the NHS-R rate means the difference between what is raised and what would be raised if that base was taxed at the NHS-NR rate.
[16] 32 V.S.A. § 5401(14); Vt. Reg. § 1.5811(11)(A)(i).

- Family connections.

For reference to current practice and historical rate-setting decisions, in FY25 and FY26, the nonhomestead rate was higher than the homestead rate in about 185 towns and the difference in those towns' rates was roughly 20 cents, on average. By comparison, the difference in rates for a second home versus a primary residence in Set 1 would be a full dollar, which equates to a $5,000 tax increase on a house worth $500,000.

Another consideration is that, as discussed in Part 1 of the report, in the first year or years of the new classification, many property owners will be unaware of their new filing requirements despite outreach efforts, and they could be surprised when they see their tax bills. Some owners will self-advocate for a correction to their classifications, but many will not. Given that likely outcome, there might be policy justification for minimizing the difference between the classes as much as possible, at least at first during the initial transition.

With that consideration in mind, Set 1B would provide rate relief to most Vermont homeowners and would provide universal relief to owners of commercial property and renters (indirectly). Set 1C and Set 1D have a smaller gap between the homestead rate and the NHS-R rate, but the NHS-NR rate would have to go below the homestead rate in those scenarios.

Multiplier Set 2

Sec. 61b(b)(2) of Act 73 asks for a multiplier set that would mitigate potential rate increases for homesteads. The chart below shows the distribution of school district tax rates in FY25. For reference, the tallest bar in this chart indicates that 29 districts had a tax rate between $1.20 and $1.30 in FY25.

Figure 1: FY25 School District Tax Rate Distribution

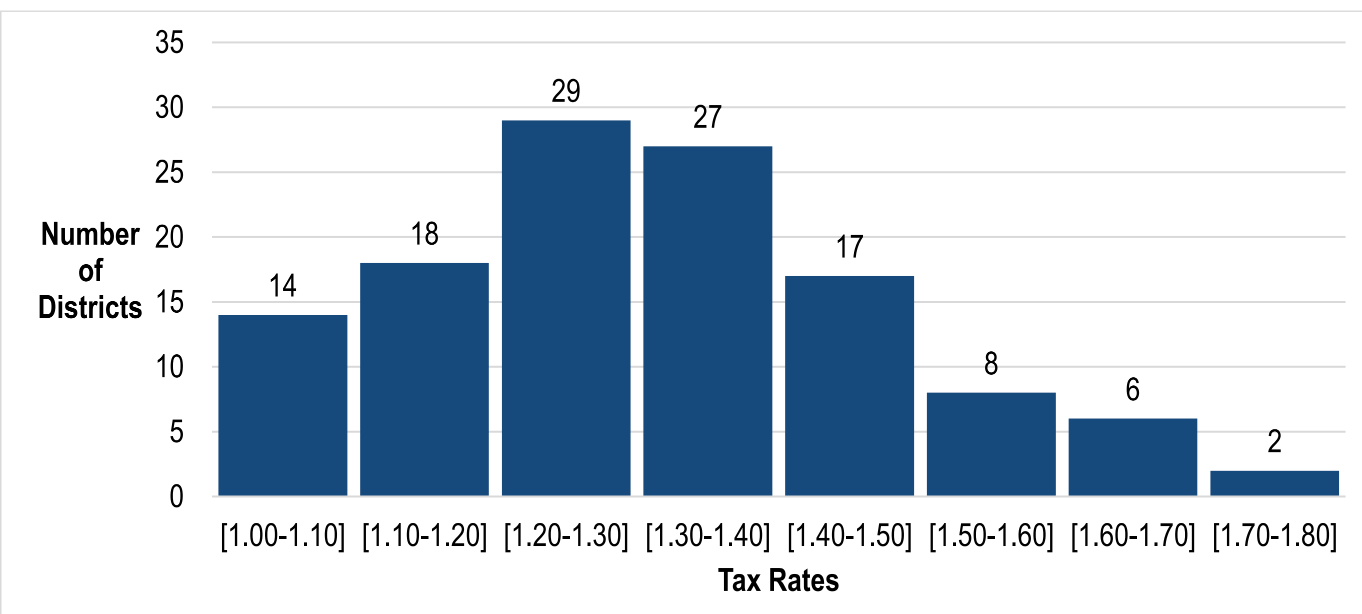

Table 1: FY25 School District Rate Distribution

Tax Rates	1.00-1.10	1.10-1.20	1.20-1.30	1.30-1.40	1.40-1.50	1.50-1.60	1.60-1.70	1.70-1.80
Number of Districts	14	18	29	27	17	8	6	2

In designing a tax rate multiplier set that satisfies the condition in Sec. 61b(b)(2) of the legislative charge, the question is what an appropriate decrease might be. If the homestead rate was $1.00, which is the current statutory minimum, then nearly every district in the state would see a decrease. If the NHS-NR rate is left at $1.39, then the NHS-R rate would need to be $2.00 to raise sufficient revenue for the Education Fund (note that this is the same as Set 1A in the Sec. 61b(b)(1) multiplier analysis). Below are two other combinations that would lower tax rates in most districts (in dollars).

	FY25 actual	Set 2A	Set 2B	Set 2C
Homestead	1.30 (state avg.)	1.00	1.10	1.20
Nonhomestead – NR	1.39 (included in NHS)	1.39	1.39	1.39
Nonhomestead – R	1.39 (included in NHS)	2.00	1.80	1.60

While a relevant question to this analysis might be how many homesteads are in each of the districts, homesteads in Vermont can be part of multiple school districts, so there is not a straightforward answer. Another important related consideration is that in Vermont more than half of homesteads receive a reduction to their education property taxes based on their income, which means that changes in the tax *rate* may not directly translate to net tax *bill* changes, especially in towns where higher percentages of homesteads get income-based credits.

The homestead exemption enacted in Act 73 would change how income-based relief is calculated, and under the new approach low-income homeowners who live in lower value homes would get more benefit than they do under the current program. This means that to holistically understand the impact of Act 73 on Vermont's homesteads, the projected rate changes need to be considered in conjunction with the homestead exemption.

Prior analysis by the Department of Taxes has shown that even if the statewide homestead rate had been $1.30 in FY25, many towns in districts with a low tax rate would actually end up sending less in total homestead taxes to the Education Fund because of the homestead exemption. Set 2C would lower the tax rate in the majority of districts and, coupled with the homestead exemption, provide tax bill relief to a very large proportion of Vermont homeowners. Set 2C would also have a comparatively small difference between the HS and NHS-R rates, which, for reasons stated above, might be strategic, especially in the first year(s) of the new classification system.

Part 2 Conclusion

Assuming the Act 73 contingencies are met, the General Assembly should continue to monitor and evaluate how Vermont property owners in all three classifications could be impacted by the tax changes in the act. The multiplier sets presented in this part of the report work for FY25, but the needs of the Education Fund and the components of the grand list will be different in FY29. As FY29 approaches, better estimates will be available and this analysis should be updated.

Preliminarily, it does appear that the tax revenue from the NHS-R classification could pay for the cost of the homestead exemption, but the rate required would need to be quite a bit higher than the homestead rate. Alternatively, the new revenue could instead be used to lower the average homestead rate, but that arrangement lacks some of the potential policy benefits of the first multiplier set.

Appendix 1: Survey Question to the Vermont Association of Listers and Assessors' Email Listserv

Below is the text of a question the Department of Taxes posed to the Vermont Association of Listers and Assessors' (VALA) listserv and their responses. Of the 96 responses the Department received, 60 said yes (62.5%) and 36 said no (37.5%). Included is a sample of respondents' comments that were informative.

Question Text

This year's Act 73 education transformation bill requires the Tax Department to recommend a definition for "residential" property. This definition will mainly be used for determining which properties will be part of the new Act 73 classification for "nonhomestead residential", i.e. second homes. This residential definition would be used in combination with other relevant information, such as Homestead Declarations and Landlord Certificates.

The Tax Department is wondering if it's feasible to limit a definition for "residential" to property that is "fit for year-round habitation" so that seasonal camps could be excluded from the new tax classification. Evidence of year-round habitability might include insulation or weatherization, a heating system, plumbing, and running water. Could local assessing officials identify with enough accuracy which properties are fit for year-round habitation, and which are not?

Sample "Yes" comments

- I think it could be possible, and if we had any questions or concerns, contact owners with questions, or perhaps a mailer to send them with questions. Permits could also be helpful if they are detailed and of course would want a site visit. Although in my town there are probably very few compared to towns in Northern Vermont, or in any Lakes Region.

- Definition of year-round residential use is easy with proper Land Use coding and dwelling style coding.

- On site inspections will reveal an electric meter, a wastewater venting pipe, a heating system ventilation set up, type of foundation and thickness of walls based on window depth. Also easy to "explore" interior conditions via the MLS /Realtor.com site, Airbnb, or VRBO sites.

- There are already codes in place for Seasonal uses, so I have to imagine that the creation of those followed a similar inquiry as this. It must have been determined that it IS possible to determine this, so I'll agree now that it should be. I'm a new VPA 1 though, so I may be missing something that a more experienced Assessor may know.

- North Hero is currently using this identification system to differentiate between a seasonal camp and a year round dwelling.

- It is not difficult to determine a year around dwelling vs seasonal. I think the state would have to come up with the specific criteria as evidence and would that include all of the elements or some.

- We have a fair amount of people who claim residency but are only here for 6months or so and travel elsewhere in the winter months. They don't own another residence so they claim homestead here. This does cause confusion for the lister/assessor office but, historically it is not our call. Unless someone has an out of town address here we don't question it. I have also noticed in the other town I work in people using PO Boxes rather than a street mailing. Many of them are seasonal residents, but they do this to claim residency and get a homestead rate. Also, sometimes if one does have a winterized home they may rent when they are not here, whether we are aware of that or not. So, is that fair? I would consider that kind of double dipping.

- Could be a lot of tail chasing. I thought that perhaps the tax department having access to returns would determine residency that way if in question.

  Some states call us (Florida particularly) to confirm whether a person has claimed residency here to avoid people claiming 2 state residency.

- It is a tough no easy to be black and white issue.

- It would be easy for us as a small town with very seasoned listers (we have all been residents for 40+ years), but I imagine for towns with more parcels or newer listers it might be much more difficult.

- Even without an interior inspection, the necessary information could be gathered from a phone call with the owner.

- Yes, we could but only after a townwide reappraisal. Most of our properties can be year-round now.

- Only as general or categorical assessment. Unable to determine building code compliance, septic suitability, etc. "camp" is already a structure choice in residential CAMA database

- Our town will have better data collection after our reappraisal in 2026

- It would be a judgement call but that is part of a Lister's Job.

- I think it would be possible to identify homes that are fit for year-round habitation. We have a lot of homes in our town that are single family homes on less than six acres that are rented. These are not necessarily "Second Homes" or "vacation homes" but instead are rented as single family homes. They do not qualify as commercial apartments because they are usually only one unit though sometimes are 1-4 units but they are rented on an annual basis not as short term rentals. I think if the legislature is interested in capturing second homes, they will need to be careful to consider this category. Additionally, short-term rentals are different type of housing. It all depends on what type of data they want for what end purpose. If they are just looking to better understand the housing market, Vermont Housing Data provides the statical information on type of home and use based on census data and the number of short-term rentals in a community.

- Although some 'hunting camps' do have the same items mentioned in the description but not very good quality

- An additional category needs to be created for owners who rent long term to Vermont residents, vs. Airbnb rentals. There should be a different non-residential rate for housing providers

- It would require a site visit to verify this information. Maybe another opportunity to see property which is a good thing

- We know about the heating system and the plumbing. Running water is a little tricky because seasonal camps mostly draw water from the lake. Some year-round residences also draw from the lake, but have a heated line and/or UV filter. We do not know who has a heated line and who doesn't. For insulation and weatherization, we do not know this information on a consistent basis. Some converted camps are lived in year-round, but even the owners might not know if all the walls are insulated.

- When reviewing a property, the appraiser should be able make that call. Check if insulated, septic system, water, electricity, heating system that works with propane or oil, condition of the building, has a foundation, has year-round access and etc.

- If we are able to enter the property. I think this is a very loose definition. Quite a few "camps" are modernized

- only if they allow us to do an interior inspection

- Commentary: There are some grey areas here that could cause some litigation. And, as we all know, there are many people who live in camps of differing value all year round. Not to mention people living in RVs and the like.

  This is another piece of information we must track, so it would require software changes and the Grand List and CAMA and Billing software - I would estimate that it would cost about $400,000 dollars at least.

  If the lawmakers want this - they should pony up the money and also increase the state allotment for each property which at this time is an embarrassing low rate. So, we make up for their incompetence by putting it once again on the backs of local towns. This is no way to run tax department.

- Listers/assessors would be able to determine if fit for year-round habitation but the issue is because of merged parcels there could be 2 camps (not fit for year-round) and 2 houses but currently we can only capture one of those properties. It would be coded as an R2 most likely but that is only showing the state that there is one house there. I would really like to unmerge everything. It would make our sales studies include many properties that currently are thrown out because they are considered subdivisions. The other question is would this be based on building codes as many towns do not have codes just zoning. For example if the home only has a wood stove for heat would that not be considered year-round? As there are many people in this area that only have wood for a heat source.

- We are better situated to know these things than someone from outside would be, especially if we are paid enough to be in the office and keep our records up-to-date

- The problem would be with the camps that could be lived in all year round but are not. They are merely used as a "summer" home. I don't believe it should be identified with a definition for "fit for year-round habitation". It should not be a lister's decision how someone classifies/labels their home or camp. Like houses, not all camps are made equal.

- Access on a road that is maintained by the town year-round is a factor we consider in Wheelock for assessment purposes but NOT for residency. We have families living year-round on Class IV roads that are not plowed in the winter. Some residents must use snow machines to get to and from their homes in the winter. We have year-round residents living with no plumbing or heating except an outhouse and wood stove.

Sample "No" Comments

- The reason I checked no is because listers and assessors are not home inspectors. I am also a Certified Residential Appraiser, and this type of question comes up a lot when dealing with seasonal homes, but really this is a type of 'scope creep.' Sure, we could visually state that yes there is a heating system and running water (not sure how we could though for weatherization, plumbing, insulation, etc.), but we are not qualified to determine whether the systems in the home are functionally adequate for year-round use. Listers and assessors have no training on home utility and construction and therefore how would we be qualified to determine whether such items in a house make it appropriate for year-round or seasonal use. Also, this seems like a big liability for a town, as a resident could always come back and claim our determination is incorrect and again because we have no training on utility systems in a home, how can we prove them wrong (unless we hire a home inspector).This seems like more of a zoning matter. It should be zoning deciding whether they are permitting the resident to use the camps for year-round use or only seasonal. Now, this is where I will qualify this statement with saying we could check yes, if we get information from zoning stating whether it should be seasonal or year-round. But it should not be the lister's office itself that is making that determination.

- This would be so subjective. There are people still who live year round in homes that others would consider seasonal, so I think there is a bit of bias here. Honestly I don't think we have accurate information on seasonal vs. year round as it is. Also even if we could come up with a fair and objective description, we will not often have good data on this as the typical rate of interior inspections does not exceed 50% in the typical town. Also if this doesn't impact value (or can't be proven to do so) I don't think it is a worthy burden to place this additional workload on town staff.

- Would be quite difficult confirming and consistently maintaining this information for properties.

- Older Camps yes, but these new "Camps" have all you just mentioned above. We just valued one last week that would be considered a "Tiny House" will all the amenities listed above. Unless we drive by when there is snow on the ground, and see if it is plowed or not, it would be difficult to tell, if the owners claim it as their primary residence. We have another such camp the owner comes in April or May, and leaves in September or October, and claims it is their primary residence because they live there 6 months and a day. We as Listers cannot verify their claim of actually staying 6 months, and not just 4 or 5, or how much time they are not there during the summer months at their other home. I can think of 5 off the top of my head in this category in our town.

- You will need a very clear definition of "fit for year-round habitation". Chester does not have a beach or a ski mountain. Our seasonal dwellings are limited. We have people who own and happily live year round in wood-heated buildings without running water. Is it important to identify those buildings? Also how do you classify a camper or a tiny house? NEMRC has a seasonal classification now. How is that working out statewide? We use it in Chester.

- Yes, as long as there's cooperation between property owner, Planning and Zoning and Assessor's office. However, my question is, who becomes responsible for gathering the evidence and what happens when the cooperation between property owner and taxing entity is non-existent? What happens when property owner has NO TRESPASS sign? What happens if the town doesn't have Zoning regulations? If this new definition is creating a burden on municipalities to handle, what is the point? Would this definition create more equity and uniformity in the tax classification ? As far as I'm concerned, all properties that are part of the Grand List category R (residential) are used for "nonhomestead" purpose if the owner doesn't file a homestead declaration.

- Adding this classification will create subjective and defendability issues for listers and property owners as to the occupancy and usage of a property.

- Unless there are clear guidelines and a checklist to make a determination or habitable, it's not possible. Many people choose (or are forced) to live in properties full-time that many would NOT consider year-round habitable. It seems very subjective.

- Walden does not have zoning or permitting. There are people living year-round in circumstances that others would not use as a camp.

- My main reason is how subjective this question is. I have a property in one of my towns that claims homestead with a Veterans exemption; they live in a converted snowmobile trailer. My first year-round home was a seasonal camp, which we hauled water to in the summer when the well went dry. I was an elected Lister when I lived in this house. It was the only property we could afford. This is also something that can easily be challenged by homeowners that we couldn't defend…

  I asked this question to my classmates in the IAAO course I am taking, who range from Ohio, South Dakota, West Virginia, Florida, and Colorado. They also agreed on how subjective this would be, and the cost to staff would outweigh the benefit of knowing this information for an assessment, not a taxation office.

- Many camps we have never been into.

- before the pandemic, I would have said, yes. But things have changed and without an interior inspection. which are getting trickier to get, it's difficult to tell if a place is fully weatherized.

- Isn't this what the R1, R2, S1, and S2 categories already do?

- It would be very hard to detemine if a dwelliing is fit for year-round habitation without going in the dwelling.

- The definition needs to be clarified before any determination can be assessed. Ini solation, heating, plumbing, running water may have no bearing on if a building can be used legally as a year-round dwelling.

  A property must be legally permitted year-round. The only way that can happen is with a State Wastewater Permit issued from the State, have proof of its year-round use prior to the State taking over the wastewater permitting back 20 years ago (Clean Slate), and if there is local P&Z it must have the local permitting to be year-round.

- Defining "fit for year round habitation" is subjective and would be impossible classification unless a wide net is cast. Many people live in dwellings that others would not believe fit for winter habitation (minimal insulation, wood heat only, could have composting toilet and off grid), and its again putting assessors/listers in a policing position. Obvious examples are Yurts and lakefront camps, which people have chosen to live in year round. I've seen this throughout the Northeast kingdom. There are no data points in CAMA to determine the amount of insulation a structure has. Heating system is flimsy - many camps and year round residences have space heat and/or wood stove only, and as a CAMA data point, wood heat is classified as no heat. Running water could be a data point - if a camp has no water access (carry in only), then it can't be habitable year round. But using running water as data point would be the wide net cast - there are many camps that have running water and fixtures, but not habitable year round. Any of these items mentioned- heat, insulation, plumbing, and running water could be cured without a permit, and thus easily converted to year round residence, so it would take constant monitoring. One possible data point would be location (access) - on a road not plowed by town. But there would be exceptions to this rule as well. . .

- I would say that it is possible to make some assumptions and be close to accurate. However, not all properties are accessible. And not all properties can be entered. I send no because of those reasons.

- Without access to interiors of spaces, and sometimes not even access on to properties, it is impossible to ascertain which properties are "fit for year-round habitation," according to the State's definition. Also, a homeowner's definition might be very different from how the state might define it. Many people throughout the state are currently living year-round in conditions that most would not consider fit, however, they are their permanent residences.

- Unless we have firsthand knowledge to the contrary all we really have to go by is our best guess based on exterior appearance or location. We won't necessarily know that a former seasonal structure has been upgraded to year round habitability, same as we don't necessarily know that someone has finished off their basement or attic into living space. People don't tell us about upgrades that either didn't need a building permit or that were done without a building permit. If we see it we pursue it, but I doubt we always see it. The grievance process will alert us to the opposite, properties that have deteriorated into non-habitable status.

  The other thing is what makes a property habitable. If a structure has electricity, a wood stove, and a composting toilet, is it a year round residence? Having insulation can't be the defining criteria either as surely there are old homes in town that are uninsulated. In a nutshell, it sounds like the State is looking to charge Listers with an impossible to get fully right task. On the related 2nd homes vs primary homes issue, again the question remains how are we supposed to know the difference. During covid, plenty of out-of-state owners came up to their 2nd homes and stayed, or said they were staying. Are we supposed to be the arbiters of saying yes they live here or no they don't?

- We would have no way of knowing this unless we inspected and asked these questions to every single house.

- due to dated reappraisal and lack of ability to access all living units there would not be adequate data for this

Appendix 2: Second Homes Taxes in Other States

Montana

Montana's new law, effective in 2026, creates three new groups within the residential classification: primary residences and long-term rentals, residences on a farm, and a default, catch-all group of "all other residential property."

Residential property includes single-family dwelling units (homes, townhomes, condos, etc.), units of a multiple-unit dwelling, trailers, manufactured homes, or mobile homes and the parcel up to 1 acre on which the long-term rental improvements are located but not including any contiguous or adjacent parcels.

The types of properties that will be considered "all other residential property" include second homes, short-term rentals (e.g., VRBOs, Airbnbs, cabins, etc.), and vacant residential properties. These properties will pay a flat tax rate of 1.9%, which is higher than almost all of the other residential tax rates. The higher tax rate will apply by default unless the property qualifies as one of the other types (primary residences and long-term rentals, or residences on a farm).

Many owners of primary residences will automatically qualify for lower rates, especially if they received the 2025 property tax rebate and still own and live in the property for 7+ months of 2026. Owners of long-term rental properties will have to apply before March 1, 2026, but application for certification is only required once. Once certified, lower rates apply until certain circumstances change, like ownership.

Detailed Summary

How does Montana law define second homes?

- There is no specific definition of "second home." Instead, Montana's new law effective in 2026 creates three new groups within the residential classification:
    - primary residences and long-term rentals,
    - residences on a farm, and
    - a default, catch-all group of "all other residential property."
- This includes second homes, short-term rentals (e.g., VRBOs, Airbnbs, cabins, etc.), and vacant residential properties.
- These properties will pay a flat tax rate that is higher than all of the other residential tax rates except the most valuable properties (4x or greater the statewide median assessed value) will pay the same rate as AORP.

- Residential property includes single-family dwelling units (homes, townhomes, condos, etc.), units of a multiple-unit dwelling, trailers, manufactured homes, or mobile homes and the parcel up to 1 acre on which the long-term rental improvements are located but not including any contiguous or adjacent parcels.

How does Montana law identify second homes (aka “all other residential property”)?

- The higher tax rate will apply by default unless:
  - The property automatically qualifies as a primary residence because the property owner received the 2025 property tax rebate and still owns and lives in the property for 7+ months of 2026,
  - The property owner of a long-term rental applies to the department for certification as a long-term rental between Dec. 1, 2025 and Mar. 1, 2026, or
  - The property is agricultural, in which case other tax rates apply for the land and any primary residence or LTR plus 1-acre homesite.
- Application is required only once and once certified, lower rates apply until:
  - There is a change in ownership,
  - Owner no longer uses the property as a primary residence, or The owner applies for property tax assistance for a different primary residence.
- Note that Montana also reappraises property values every two years at the state level.

How does Montana handle second homes with another use on the same property?

- Still to be determined, but general statutory rule is apportionment according to use.

Are properties that are rented long term treated differently?

- LTRs are treated the same as primary residences and pay the same lower tax rate.
- LTR are defined in statute as residential property:
  - that is a single-family dwelling unit, unit of a multiple-unit dwelling, trailer, manufactured home, or mobile home and the parcel where long-term rental improvements are located but not any contiguous or adjacent parcels,
  - that an owner can demonstrate was either:
    - rented for 28 days or more for at least 7 months of the year for which the lower rate is claimed, or
    - vacant for fewer than 5 months for documented property repairs,
  - that is occupied by tenants who use the dwelling as a residence, and
  - the owner is current on property tax payments.

- LTR use is retrospective as of January 1 of the prior year

Resources

[Montana Department of Revenue]

[2026 Tax Information for Montana Property Owners]

[2026 Property Tax Information for Homesteads and Long-term Rentals]

Quick Reference Chart: Montana

Definition	Within the residential classification, second homes, short-term rentals, and vacant residential properties will be part of a default, catch-all group of "all other residential property." These are defined as what they are not, which is primary residences, long-term rentals, or residences on a farm.
Identification	Default classification as second home and taxed a higher rate unless: • property automatically qualifies as a primary residence because owner received 2025 rebate and still owns and lives in property for 7+ months of 2026, or • long-term rental property owner for certification between 12/1/25 and 3/1/26 for TY26, or • property is agricultural, so other tax rates apply to land and to any primary residence or LTR plus 1-acre homesite.
Mixed Use	TBD, but general rule is apportionment according to use
Long-Term Rentals	LTRs are treated like primary residences and pay the same lower tax rate. Requirements: • home must be rented to tenants for 28+ days at a time • home must be rented for 7+ months per year or vacant for renovations for fewer than 5 months per year Owner must apply before 3/1

Minnesota

Minnesota Property Classification Summary

In Minnesota, all property is valued at its market value and classified according to its use on January 2 of each year by county assessors. The assessors are responsible for determining the classification of each property rather than property owners submitting self-attestations, though property owners must be responsive to assessor requests. In Minnesota, the assessor job is much more involved and includes reviewing permits, searching short-term rental websites, requesting utility data, and working with other state agencies to determine property classifications. County assessors must also physically inspect all properties every five years. Though the classification system is much more complex than Vermont's, this level of work allows Minnesota to identify residential nonhomestead properties and seasonal properties like second homes and camps.

Homestead Exemptions

In Minnesota, residential homesteads can receive a homestead market value exclusion tax exemption and nonhomestead properties cannot. Once granted the homestead classification, property owners do not need to reapply annually, however, county assessors may ask for a new application at any time. The market value exclusion percentage is relative to the market value of the homestead.

How do they define second homes?

Montana has five main classes of property with several subclasses in each. Classes 1 and 2 contain all homestead properties. Class 4 contains the property classifications that could be considered second homes.

Class 4a Residential Nonhomestead (4+ Units)

Class 4a includes residential real estate containing four or more units used or held for use by the owner or by the tenants or lessees of the owner as a residence for rental periods of 30 days or more. The market value of class 4b property has a class rate of 1.25%.

Class 4b Residential Nonhomestead (1-3 Units)

Class 4b property is non-homestead residential real estate. Class 4b property includes residential real estate containing less than four units, including property rented as a short-term rental property for more than 14 days in the preceding year, that does not qualify as class 4bb. The market value of class 4b property has a class rate of 1.25%.

Class 4bb Residential Nonhomestead Single Unit

Class 4bb property includes non-homestead residential real estate containing one unit, other than seasonal residential recreational property. The first $500,000 market value of class 4bb property has a class rate of 1.00%, any market value exceeding $500,000 has a class rate of 1.25%.

Class 4c(12) Non-Commercial Seasonal Residential Recreational

Non-commercial seasonal residential recreational (SRR) property is real and personal property devoted to non-commercial temporary and seasonal residential occupancy for recreation. Non-commercial SRR property has a class rate of 1.00% for the first $76,000 of market value, 1.00% for market value exceeding $76,000 up to $500,000, and 1.25% for market value exceeding $500,000. These properties are subject to an additional state tax of 0.40% for the first $76,000 of market value, 1.00% for market value exceeding $76,000 up to $500,000, and 1.25% for market value exceeding $500,000.

How do they identify second homes?

All property is classified according to the real use of the property on January 2nd of each year by county assessors. It is up to the county assessors to determine if a property is a residential nonhomestead. They can do this through viewing the property, reviewing land permits, requesting utilities data, and collecting other information from the property owner. The burden is on the assessor to determine the classification, and the property owner must be responsive to an assessor's requests. Each assessor is responsible for around five to six thousand parcels.

How do they handle second homes with another use on the same property?

In Minnesota, split use properties are either split classified, or the secondary use falls within the classification of the primary use. In some cases, a homestead property may have a split-classification with commercial, managed forest land, or other type of classification for which homestead benefits are not applicable. In these cases, the homestead benefits apply solely to the portion of the property used for residential homestead purposes.

Examples of split classifications:

Two separate residential buildings located on the same residential parcel where one is used as a residential homestead, and the other is rented out monthly for residential purposes:

- The classification would be split proportionally between residential homestead 1a and residential nonhomestead single unit 4bb(1).

A 30-acre parcel enrolled in a forest management plan with a cabin on the parcel:

- 10 acres with the structure would be classified according to use (residential homestead or seasonal residential recreational);
- 20 acres would be classified as 2c managed forest land.

An improved property where the second floor of a structure is rented for a fee for commercial purposes and the first floor is occupied as a residence by the owners:

- 50% of the structure would be classified as residential homestead and 50% as 3a commercial.

Are properties that are rented long term treated differently?

Minnesota does have the 4bb residential nonhomestead single unit classification which is defined as non-homestead residential real estate containing one unit, other than seasonal residential recreational property. This appears to be the classification of residential properties used for long-term rentals and does receive a preferable class rate. The first $500,000 market value of class 4bb property has a class rate of 1.00%, any market value exceeding $500,000 has a class rate of 1.25%. Other 4b classes have across the board rates of 1.25%.

Resources

Minnesota DOR 2025 Tax Classification Rates

Minnesota DOR Property Tax Administrator’s Manual

Minnesota DOR Property Values and Assessment Practices Report

Minnesota Revised Statutes: Classification of Property

Minnesota House Research Property Tax 101

Minnesota House Research Property Tax 101: Administration

Quick Reference Chart: Minnesota

Definition	Within the nonhomestead residential classes, there are several subclasses that could contain second homes. These include residential nonhomesteads not used for long-term rentals as well as seasonal recreational properties.
Identification	County assessors bear the responsibility of assigning all parcels under their purview a market value and class on January 2nd of each year.
Mixed Use	Split use properties are either split classified, or the secondary use falls within the classification of the primary use.

Long-Term Rentals	There does appear to be a class for LTRs: 4bb residential nonhomestead single unit. This class does have a lower rate of 1.0% on the first $500k of market value, while any market value over $500k for this class and all other properties in the 4b class receive a rate of 1.25%

Hawaii

All four counties in Hawaii tax second homes at higher rates than primary residences, but the treatment varies depending on the county. In general, detailed tax classification in Hawaii is possible because of a strict system of zoning and permitting, annual revaluation of property values, and substantial county-level staff dedicated to property assessment.

Quick Reference Chart: Honolulu County

Definition	• Zoned Residential • Up to 2 single family dwelling units • Must be assessed at $1M or more
Identification	Properties that meet the definition and do not have a home exemption filed.
Mixed Use	No accommodation
Long-Term Rentals	Currently no special treatment

Quick Reference Chart: Hawaii County

Definition	• Zoned Residential • Must be assessed at $2M or more
Identification	Properties that meet the definition and do not have a home exemption filed.

Mixed Use	No accommodation.
Long-Term Rentals	Currently, there is an apartment rate that is not significantly different than the two second homes rate tiers, but a new lower rate for long term rentals begins in FY27. Owners must attest annually.

Quick Reference Chart: Maui County

Definition	Zoned Residential
Identification	Real property improved with a dwelling that would not be classified as "owner-occupied", "hotel and resort", "time share", "TVR-STRH", "commercial", "industrial", "commercialized residential", or "long-term rental" must be classified as "non-owner-occupied".
Mixed Use	Based on square footage if there's a mix of commercial and residential. For long term rental, none of the units can be rented short term
Long-Term Rentals	• If there are five or more units it is classified as apartment • Four or fewer is classified as "long term rental" which requires an annual attestation

Quick Reference Table: Kauai County

Definition	Classified based on actual use.
Identification	Annual Survey.
Mixed Use	Classified according to highest tax rate except owner-occupied has a mixed use attestation and gets its own rate.

Long-Term Rentals	No special treatment.

Appendix 3 Draft Statutory Definition of "Dwelling"

Sec. [_]. 32 V.S.A. § 4152a(c) is amended to read:

(c) As used in this section:

(1) "Dwelling" means a building or the part of a building, including a single-family home, a unit within a multi-family building, apartment, condominium, mobile home, or other similar property or structure containing a separate means of ingress and egress that:

(i) is designed or intended to be used for occupancy by one or more persons in a household, including providing living facilities for sleeping, cooking, and sanitary needs; and

(ii) is fit for year-round habitation as determined by the Commissioner.

(2) "Homestead" has the same meaning as in subdivision 5401(7) of this title and means a parcel, or portion of a parcel, declared as a homestead on or before October 15 in accordance with section 5410 of this title for the current year.

~~(2)~~(3) "Nonhomestead nonresidential" means a parcel, or portion of a parcel, that does not qualify as "homestead," or "nonhomestead residential" under this section, including a multi-family building with five or more units.

~~(3)~~(4) "Nonhomestead residential" means a parcel, or portion of a parcel, ~~for which~~ with a dwelling that is not:

(i) a homestead ~~was not declared in accordance with section 5410 of this title for the current year and that has a residential property, as defined by the Commissioner by rule~~; or

(ii) rented for periods of 30 days or more for at least six months in the current year, which need not be consecutive, as part of a bona fide landlord-tenant relationship between the parties.