

Property Tax Classification

And Administrative Considerations for a Second Homes Tax

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March 27th, 2025

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



Terminology and an Important Distinction

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

Tax Classification: Key Components

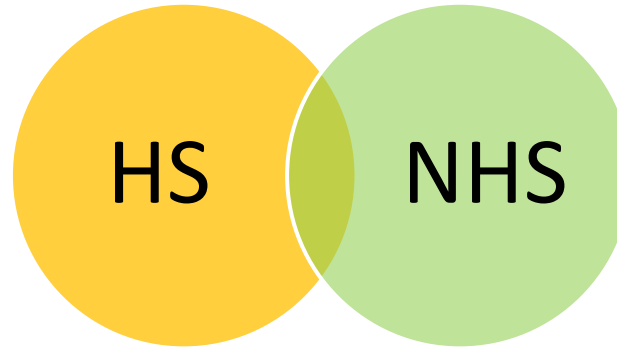
- **Definition:** Is the classification based on ownership, how the property *could be* used, or how the property *is being* used?
Note: the use of a property can and does change over time.
- **Identification:** How are properties in the class identified? Through a self-attestation made by the owner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

Classification Components in Current Law

	Homestead	Nonhomestead
Defn.	Dwelling and surrounding land owned and occupied as the owner's domicile	Default
I.D.	Identified through the annual (prospective) "homestead declaration" which is a type of self-attestation	Default
Mixed Use	Multiple uses can be reflected and taxed separately	

Mixed Use

A homestead property can have a non-homestead component



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

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

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

Classification Considerations for “Second Homes”

- **Definition:** What makes a building a potential home? Would “second homes” include camps? What if the house will be rented out to a long-term tenant?
- **Identification:** How would the state’s second homes be identified*? Through a self-attestation made by the owner or the determination of the taxing jurisdiction?
- **Mixed Use:** If part of a second home was rented out or used for a business purpose, would there be an accommodation for that?

**Note: Out of State Owners of second homes may not file income taxes so they don’t interact with the tax dept.*

Act 181 (Sec. 73) Property Transfer Tax Surcharge

No. 181
2024

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(4) Tax shall be imposed at the rate of 3.4 percent of the value of the property transferred with respect to transfers of:

(A) residential property that is fit for habitation on a year-round basis;

(B) will not be used as the principal residence of the transferee; and

(C) for which the transferee will not be required to provide a landlord certificate pursuant to section 6069 of this title.

Which of these is a “second home”?



1. Greensboro lake house. Woodstove but minimally insulated

2. Shelburne gentleman farm. Out of state owners rent a yurt to their niece for half the year



3. Multi-year rehab in Springfield to turn single family home into 4 rental units



4. Brattleboro bike shop and scoop shop on first floor, 3 STRs above



Resources

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