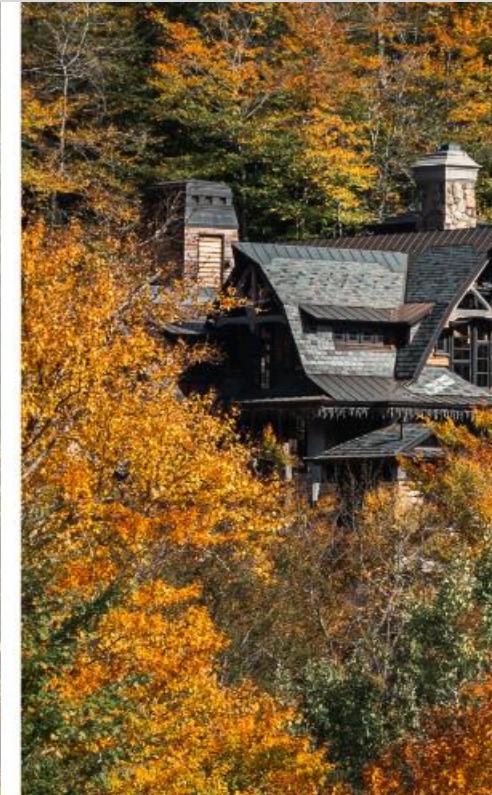
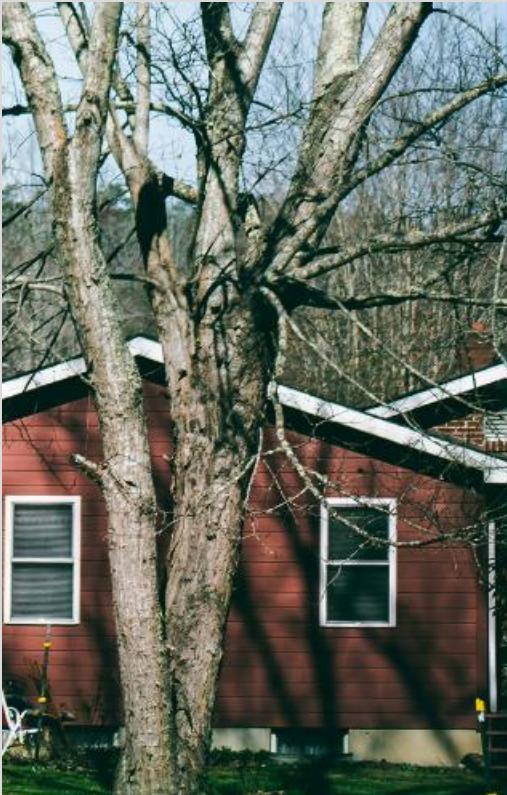


Property Tax Classifications Implementation Report



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Act 73's Changes to Vermont's Classification System

| Class | Definitional Changes |
|---|--|
| Homestead | <i>No Change to the definition</i> |
| Nonhomestead Nonresidential | A parcel, or portion of a parcel, that does not qualify as “homestead” or “nonhomestead residential” under this section |
| New Nonhomestead Residential | 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 |

Act 73's Changes to Vermont's Property Tax Rate Structure

- Rates will be uniform statewide
- Supplemental District Spending will result in a district-wide surcharge that applies to all classes

| Class | Act 73 | Current Law |
|--------------------------------|-------------------------------|--|
| Statewide Rate | X | NA. There's a “yield” for homestead and a statewide rate for NHS |
| Homestead | 1. <i>tbd</i> multiplied by X | Varies based on per-pupil spending. FY25 average was about 1.30 |
| Nonhomestead Nonresidential | 1. <i>tbd</i> multiplied by X | FY25 was 1.39. |
| Nonhomestead Residential | 1. <i>tbd</i> multiplied by X | No differentiation between NHS-NR and NHS-R in current law |

Potential Tax Rate Multipliers

- Set 1B would match the revenue from the new NHS-R class to the cost of the “homestead exemption” create in Sec. 51 of Act 73
- Set 2C would mitigate forecasted homestead rate increases under Act 73

| Class | Current Law (FY25) | Set 1B | Set 2C |
|--------------------------------|-----------------------|--------|--------|
| Statewide Rate | NA | 1.00 | 1.00 |
| Homestead | 1.30 (avg) | 1.20 | 1.20 |
| Nonhomestead Nonresidential | 1.39 (all NHS) | 1.20 | 1.39 |
| Nonhomestead Residential | 1.39 (all NHS) | 1.96 | 1.60 |

Act 73's Contingencies

#1: January 1, 2027

- the collection of data to classify properties will not proceed unless the General Assembly enacts new school district boundaries by this date

#2: July 1, 2028

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

Implementation Report: Legislative Charge (Sec 61b)

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.

i.e., by FY29

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.

<- Implies long term rentals not intended to be in NHS-R

Key Assumptions:

1. Long-term rentals are intended to be excluded from the nonhomestead residential class
2. Seasonal properties will not be considered residential property
3. Owners of nonhomestead residential property would have the same option as homesteads to report if part of their property will have a business use (and have it taxed that way)

As a result of these assumptions, the tax department will need to create a new “dwelling use attestation” form that will replace the homestead declaration. This will be a requirement for anyone who owns between 1 and 4 dwelling units

Implementation Step #1: January 2026 – May 2026

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

Implementation Step #2: June 2026 – June 2027

1. Property Valuation and Review (PVR) develops guidance and assists municipalities
2. Municipalities identify all dwelling units meeting the statutory definition, including their square footage and identifiers such as “Apartment 1”
3. Municipalities include number of dwelling units in their 2027 grand list submissions to PVR (due August, 2027)

Implementation Step #3: January 2027 – May 2027

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

New Property Tax World: Early 2028

1. Towns have records of all dwelling units, including square footage and any identifiers
2. Property owners with between one and four dwelling units have been made aware of the requirement to file the dwelling use attestation (DUA) form each year

Example 1: Single Family Dwelling



Taxed as homestead if owner attests to that on the DUA, otherwise nonhomestead residential (NHS-R)

Example 2: Single Family Dwelling, Rented Out



Taxed as nonhomestead nonresidential (NHS-NR) if owner attests that the house will be rented on a long term basis on the DUA, otherwise nonhomestead residential (NHS-R)

Example 3: Owner-occupied duplex, other unit is rented



Owner files DUA and indicates which unit is their homestead. Other unit is taxed as NHS-NR if rented long term, otherwise NHS-R. Town moves value into correct classification based on square footage

Example 4: Pottery Studio with STR above



Town is aware of 1,000 sq. ft dwelling unit above 1,000 sq. ft commercial space. Owner can file DUA, but if not filed the town will move 50% of the building value into NHS-R and 50% into NHS-NR

Question: How is the land value taxed in a mixed-use NHS-R and NHS-NR scenario? For homesteads, all land value is taxed as homestead

Example 5: Second Home with Equestrian Center



5,000 sq. ft second home with 10,000 sq. ft horse barn used for year-round riding lessons. Owner files DUA and reports that the building has a commercial purpose. Town moves barn value into NHS-NR and taxes home as NHS-R

Question: How is the land value taxed in a mixed-use NHS-R and NHS-NR scenario?

Example 6: Four unit building on six acres



Two units rented long term and two short term. Owner files DUA indicating which apartments are rented long term vs. short term, towns shifts relative shares (based on sq. ft) of building value into NHS-R and NHS-NR

Question: How is the land value taxed in a mixed-use NHS-R and NHS-NR scenario?

Question: What if the owner doesn't agree with the respective unit values? Can they appeal?

Example 7: Ski House sometimes used for remote work



Owner is in VT a few months of the winter and a couple in the summer. When they are here, they have an office that they use for remote work

Question: Can the owner report a business use of the property the same way the owner of a homestead can to have it taxed as NHS-NR?

Example 8: Duplex with upstairs unit not rented



Elderly couple lives downstairs and don't want to be landlords. Upstairs dwelling unit is used by their kids when they visit. Upstairs unit will be taxed as NHS-R because it's not rented long term

Question: Under current law, the entire property is homestead and the entire housesite (encompassing both units) are eligible for an income-based credit. Can the owner of a homestead claim multiple dwelling units as their homestead even if one is vacant?

Example 9: New ADU goes up in a rural town



Owner constructs a new ADU on their property in a town without zoning. They plan to rent it out on AirBNB

Question: How will towns know when new dwelling units come online or when dwelling units are no longer fit for habitation?