



Vermont Association of Realtors®

January 21, 2021

To: Vermont Tax Structure Commission

Re: Comments on Vermont Tax Structure Commission Draft Report

The Vermont Association of Realtors® represent 1800 independent real estate agents and brokers across the state. We work on behalf of property owners every day, providing guidance on one of the largest and most important transactions that most Vermonters will participate in. We appreciate the opportunity to comment on the Tax Commission Report.

Property owners have long felt that property taxes create an inequitable burden on their property. The application of income sensitivity to this tax has always been viewed as a measure to veil the true nature of the tax and to disconnect it from the financial driver of property tax increases, school funding.

We appreciate the Commission's recognition that homestead property taxes, adjusted by income sensitivity, are really an income-based tax for most residential homeowners. We agree with the report recommendation to move education funding to an income tax and to eliminate the homestead property tax in its entirety. The proposal to move to an income-based education funding system for both owners and renters is a much fairer approach to all Vermonters who use education resources.

However, the fact that the tax infrastructure required to collect non-homestead taxes will remain the same does nothing to reduce the cost and challenges to collect this revenue. This also creates the appearance that non-homestead property owners are being singled out, because they will be the only people paying a property tax for education services that they do not utilize.

Reducing the average sales tax rate sounds like a great idea. We concur with the Commission opinion that sales taxes are regressive in nature. However, the balancing act required to offset the regressive nature of this tax with other taxes is difficult at best and laden with unintended consequences at its worst. As an example, local option taxes will have a direct impact on the proposed sales tax rate and will negate the savings that the Commission hopes to accomplish.

The Realtor® association has always opposed a sales tax on services that apply to a real estate transaction. These services include and are not limited to real estate commissions, legal fees, appraisers, heating service, lead and asbestos mitigators, chimney sweeps, septic service, engineers, consultants, land planners, movers, trash haulers and construction contractors. We believe that the state already receives substantial revenue from the real estate transaction through the Property Transfer Tax and to tax the services required to complete the transaction is double taxation.

We appreciate the opportunity to comment and respect the hard work that has gone into this report. The Vermont Association of Realtors® look forward to working with Legislature to provide a level of equity and fairness for Vermont's property owners.

Respectfully Submitted

Peter Tucker
Director of Advocacy and Public Affairs
Vermont Association of Realtors®