

# Overview of Vermont's Current Use Program

Ezra Holben, Fiscal Analyst



**JFO**

1 Baldwin Street • Montpelier, VT 05633-5701 • (802) 828-2295 • <https://ljfo.vermont.gov>

# Current Use: General Overview



**JFO**

1 Baldwin Street • Montpelier, VT 05633-5701 • (802) 828-2295 • <https://ljfo.vermont.gov>

# Current Use Overview

- Incentivizes the preservation of Vermont's agricultural and forest resources
- Provides property tax savings for property owners
- Tax expenditure for Education Fund
- Hold Harmless Payments support municipalities
  - Paid for by the General Fund
- Land Use Change Tax (LUCT) revenues support municipalities and the Education and General Funds

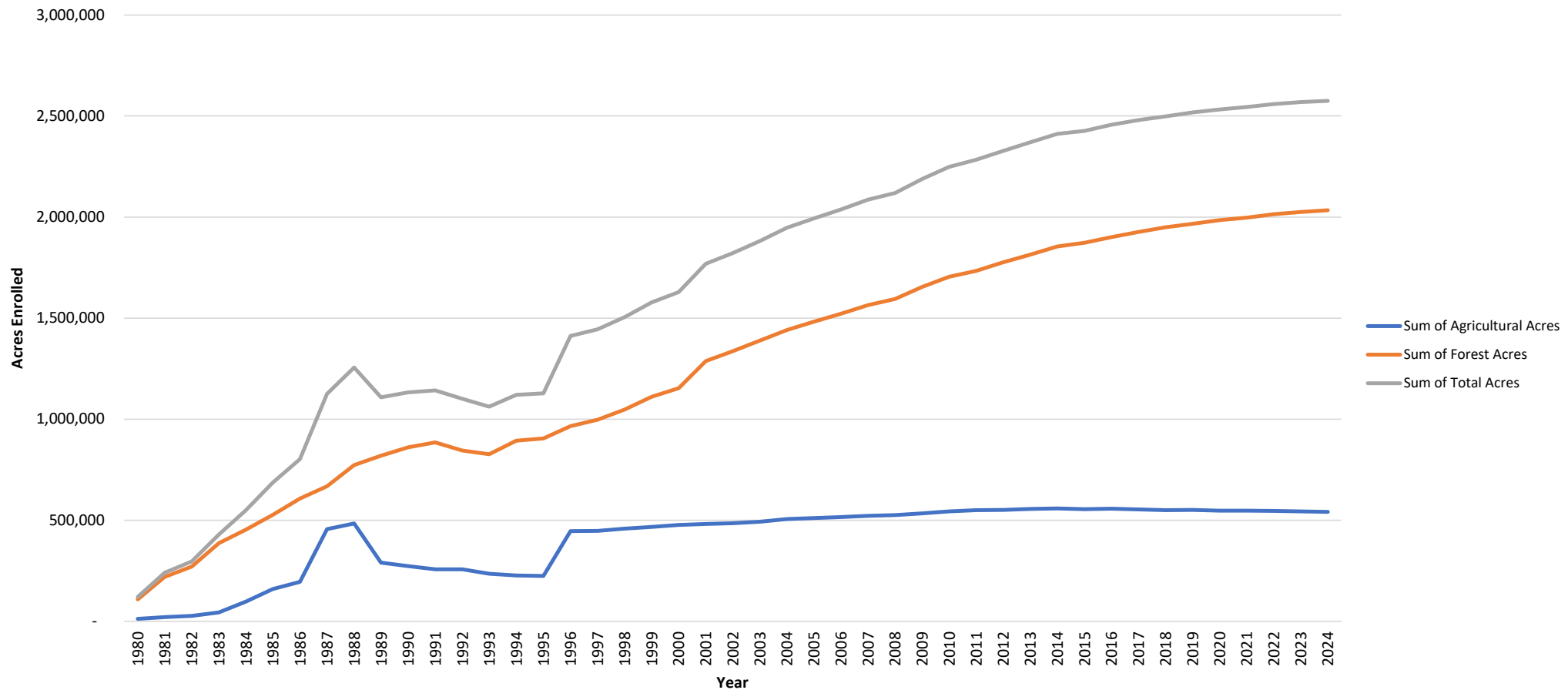


# Use Value Appraisal Program

- Established in 1978 and administered by the Department of Taxes' Division of Property Valuation and Review (PVR)
- Per 32 V.S.A § 3750, "The statutory purpose of the Vermont Use Value Appraisal Program in chapter 124 of this title is to preserve the working landscape, preserve the rural character of Vermont, and protect the natural ecological systems and natural resources of the forestland of Vermont."
- 32 V.S.A. § 3751 has a statement of purpose to:
  - Encourage and assist the maintenance of Vermont's productive agricultural and forestland
  - Encourage and assist in their conservation and preservation for future productive use and for the protection of natural ecosystems
  - Prevent the accelerated conversion of these lands to more intensive use by the pressure of property taxation at values incompatible with the productive capacity of the land
  - Achieve more equitable taxation for undeveloped lands
  - Encourage and assist in the preservation and enhancement of Vermont's scenic natural resources;
  - Assist in climate adaptation and mitigation; and
  - Enable the citizens of Vermont to plan its orderly growth in the face of increasing development pressures in the interests of the public health, safety, and welfare
- Enrollment has grown from 120,000 acres in 1980 to 2.57 million acres in 2024



# Current Use Total Land Enrollment



Source: <https://tax.vermont.gov/data-and-statistics/pvr-annual-report-data/2024>



JFO

1 Baldwin Street • Montpelier, VT 05633-5701 • (802) 828-2295 • <https://ljfo.vermont.gov>

# Agricultural Land and Current Use

- Two types of enrollment
  - Agricultural land and farm buildings
  - Forestlands (managed and reserve)
- Agricultural land and farm buildings
  - Any land, exclusive of any housesite, in active use to grow hay or cultivated crops, pasture livestock, cultivate trees bearing edible fruit, or produce an annual maple product, and that is 25 acres or more in size
- Agricultural purposes are defined as:
  - Owned by a farmer. *In this context, this is a defined term.*
  - Land used by a farmer as part of a written lease; or
  - \$2,000 in income for parcels of less than 25 acres and \$75 per acre over 25 acres

Definitions: <https://legislature.vermont.gov/statutes/section/32/124/03752>



JFO

1 Baldwin Street • Montpelier, VT 05633-5701 • (802) 828-2295 • <https://ljfo.vermont.gov>

# Farmer and Current Use

- **Farmer** is defined for the purpose of Current Use as a person who:
  - earns at least one-half of their annual gross income from the business of farming;
  - produces farm crops that are processed in a farm facility situated on land enrolled by them in a use value appraisal program or on a housesite adjoining the enrolled land;
  - whose gross income from the sale of the processed farm products...when added to other gross income from the business of farming...equals at least one-half of the farmer's annual gross income; and
  - who produces on the farm a minimum of 75 percent of the farm crops processed in the farm facility



# Farm Buildings and Current Use

- **Farm building** is defined for the purpose of Current Use as:
  - “...all farm buildings and other farm improvements which are actively used by a farmer as part of a farming operation, are owned by a farmer or leased to a farmer under a written lease for a term of three years or more, and
  - are situated on land that is enrolled in a use value appraisal program or on a housesite adjoining enrolled land.
  - ...shall include up to \$100,000.00 of the value of a farm facility processing farm crops, a minimum of 75 percent of which are produced on the farm and shall not include any dwelling other than a dwelling in use during the preceding tax year exclusively to house one or more farm employees...”

Source: <https://legislature.vermont.gov/statutes/section/32/124/03752>



JFO

1 Baldwin Street • Montpelier, VT 05633-5701 • (802) 828-2295 • <https://jfo.vermont.gov>



# Forestlands and Current Use

Per 32 V.S.A. § 3752

- **Managed forestlands:** “Any land, exclusive of any house site, that is at least 25 acres in size and that is under active long-term forest management for the purpose of growing and harvesting repeated forest crops or attaining old forest values and functions in accordance with minimum acceptable standards for forest management”
  - Required to follow “...minimum acceptable standards for forest management and as approved by the Commissioner”
- **Reserve forestlands:** Added by Act 146 (2022)
  - “Land that is managed for the purpose of attaining old forest values and functions in accordance with minimum acceptable standards for forest management...”
  - Requires certain percentages of enrolled land to be comprised of sensitive and significant conditions depending on acreage



# How is Property Enrolled in Current Use Taxed?

- Property enrollment is optional and requires placing a lien on the enrolled property
- Use value per acre is set by the Current Use Advisory Board annually
- For tax year 2024:
  - Forest land: \$188 per acre
  - Forest land > 1 mile from Class I-III road: \$141 per acre
  - Agricultural land: \$483 per acre
  - Farm buildings: 0% of fair market value



# How is Current Use Calculated?

- (Enrolled Acreage) X (Use Value per acre) X (town's CLA) = Total Use Value
- The property owner pays property taxes based on the use value of their property
- The difference between the “assessed property value” and the “use value” of enrolled land is known as the “land use reduction”
- The land use reduction is subtracted from the assessed property value of the enrolled land and the remainder is the taxable value of the property
- Reduces both municipal and education property taxes



# Example of Use Value Calculation

| Acreage | Type  | Use Value<br>per Acre<br>(2024) | Acreage x<br>Use Value | (Acreage x<br>Use Value) x<br>CLA of 92.08 |
|---------|---|---------------------------------|------------------------|--|
| 50      | Forest Land   | \$188                           | \$9,400                | \$8,655.52                                 |
| 10      | Forest Land Greater Than a Mile<br>from a Class I, II or III Road | \$141                           | \$1,410                | \$1,298.33                                 |
| 27      | Agricultural Land   | \$483                           | \$13,041               | \$12,008.15                                |

## Land Use Reduction Calculation

| Description                     | Amount             |
|---------------------------------|--------------------|
| Enrolled Value                  | 219,000.00         |
| Use Value                       | -22,000.00         |
| <b>Total Land Use Reduction</b> | <b>=197,000.00</b> |



# Tax Bill With and Without Current Use

| Property Tax Calculation WITH Current Use   |                  | Difference           | Property Tax Calculation WITHOUT Current Use |                   |
|---|------------------|----------------------|--|-------------------|
| Description                                 | Amount           |                      | Description                                  | Amount            |
| Assessed Property Value                     | 219,000.00       |                      | Assessed Property Value                      | 219,000.00        |
| Land Use Reduction                          | 197,000.00       |                      |  |                   |
| <b>Total Taxable Value</b>                  | <b>22,000.00</b> |                      | <b>Total Taxable Value</b>                   | <b>219,000.00</b> |
| Calculate Grand List Value (x.01)           | 0.01             |                      | Calculate Grand List Value (x.01)            | 0.01              |
| <b>Grand List Value for tax calculation</b> | <b>220.00</b>    |                      | <b>Grand List Value for tax calculation</b>  | <b>2,190.00</b>   |
|   |                  |                      |  |                   |
| Description                                 | Amount           |                      | Description                                  | Amount            |
| Municipal Tax Rate (\$0.6116)               | 134.55           |                      | Municipal Tax Rate (\$0.6116)                | 1,339.40          |
| Nonhomestead tax rate (\$1.9226)            | 422.97           |                      | Nonhomestead tax rate (\$1.9226)             | 4,210.49          |
| <b>Total Property Tax</b>                   | <b>557.52</b>    |                      | <b>Total Property Tax</b>                    | <b>5,549.90</b>   |
|   |                  | <b>Tax Reduction</b> |  |                   |
|   |                  | <b>(4,992.37)</b>    |  |                   |



# Current Use: Fiscal Overview



**JFO**

1 Baldwin Street • Montpelier, VT 05633-5701 • (802) 828-2295 • <https://ljfo.vermont.gov>

# Program Cost of Current Use

| Tax Year | Foregone Municipal Taxes<br>(General Fund) | Foregone Property Taxes<br>(Ed Fund) | Total Foregone Tax Revenues |
|----------|--|--------------------------------------|-----------------------------|
| 2024     | \$20,502,765                               | \$55,689,506                         | \$76,192,271                |
| 2023     | \$19,354,487                               | \$50,228,157                         | \$69,582,644                |
| 2022     | \$18,075,693                               | \$47,552,112                         | \$65,627,805                |
| 2021     | \$17,237,387                               | \$49,377,071                         | \$66,614,458                |
| 2020     | \$17,322,844                               | \$49,179,608                         | \$66,502,452                |
| 2019     | \$16,507,284                               | \$47,594,167                         | \$64,101,451                |
| 2018     | \$16,195,274                               | \$46,925,733                         | \$63,121,007                |
| 2017     | \$15,553,999                               | \$45,361,043                         | \$60,915,042                |
| 2016     | \$14,530,332                               | \$45,161,146                         | \$59,691,478                |
| 2015     | \$14,519,248                               | \$44,609,223                         | \$59,128,471                |
| 2014     | \$14,530,332                               | \$45,161,146                         | \$59,691,478                |
| 2013     | \$13,890,827                               | \$43,110,537                         | \$57,001,364                |
| 2012     | \$13,384,246                               | \$41,209,109                         | \$54,593,355                |



# What is the Fiscal Impact of Current Use on the Education Fund?

- The reduction in property taxes impacts the Education Fund by reducing revenue
- Based on PVR's data, in tax year 2024, foregone property taxes were equal to \$55.7 million or 4.3% of the net property taxes in fiscal year 2024 (\$1.3 billion)





# What Is the Fiscal Impact of Current Use on Municipalities and the General Fund?

- The tax revenue forgone by a municipality due to Current Use is covered by the “Hold Harmless Payment”
  - Municipalities are compensated for 100% of the nonhomestead municipal property tax reduction due to Current Use
  - This Hold Harmless Payment is paid by the General Fund
  - For fiscal year 2025 the Hold Harmless Payment was \$19.77 million



# What is Land Use Change Tax (LUCT)?

- Once land is enrolled in Current Use, it is subject to a contingent lien
- Land Use Change Tax (LUCT)
  - If the owner wants to “develop” the property, there is a one-time LUCT, levied when this enrolled land is “developed”
  - “Develop” is defined as (but not limited to) “the construction of any building, road, or other structure, or any mining, excavation, or landfill activity”
  - Or when the owner wishes to withdraw from the Current Use Program and remove the Current Use lien
- LUCT is assessed at 10% of fair market value
- Half of LUCT collected, up to \$2,000, is passed on to the municipality
- Remainder is remitted to the Education and General funds (75/25% split)



# Land Use Change Tax (LUCT)

| Calendar Year | LUCT Assessed on Developed Acres | LUCT passed on to Municipality |
|---------------|----------------------------------|--------------------------------|
| 2024          | \$1,705,884                      | \$505,908                      |
| 2023          | \$1,501,211                      | \$536,747                      |
| 2022          | \$1,725,911                      | \$556,911                      |
| 2021          | \$1,289,306                      | \$407,463                      |
| 2020          | \$516,061                        | \$229,261                      |
| 2019          | \$761,257                        | \$274,904                      |
| 2018          | \$714,088                        | \$311,085                      |
| 2017          | \$753,392                        | \$210,935                      |



# Policy Considerations with Current Use

- Tourism in Vermont motivated by scenic natural resources and rural landscape
  - Outdoor recreation trails often on privately-held parcels
  - In 2023, the U.S. Bureau of Economic Analysis estimates outdoor recreation added \$2.1 billion to the state's GDP



# Additional Resources

- **Current Use and Your Property Tax Bill**
  - <https://tax.vermont.gov/sites/tax/files/documents/GB-1215.pdf>
- **Property Valuation and Review 2025 Annual Report**
  - <https://tax.vermont.gov/sites/tax/files/documents/RP-1295-2025.pdf>
- **PVR Annual Report 2024 Data - Current Use Appraisal Program Data and Exemptions**
  - <https://tax.vermont.gov/document/pvr-annual-report-2024-data-current-use-appraisal-program-data-and-exemptions-xlsx>
- **Calendar Year 2024 Tax Raised and Tax Rates tables**
  - <https://tax.vermont.gov/sites/tax/files/documents/TaxRates2024.pdf>

