

Rep Janet Ancel, 11/12/09
& Mark Perrault

October 27, 2009

Outline of Current Use Proposals

1. **Increase the homestead exclusion from two acres to five acres for most residences**
 - Would capture “amenity value” for people who don’t earn their living from the land.
 - Two-acre exclusion would still apply to landowners who earn at least 50% of gross income from agriculture and from growing and harvesting wood products.
 - Estimated fiscal impact: \$1.6 million in FY2011 in increased Ed Fund revenues (towns would also collect an additional \$500,000 in municipal taxes). \$2.1 million in FY2012, due to a reduction of \$500,000 in State reimbursement for lost municipal taxes.
 - This change must be enacted by mid-February to affect 2010-11 Grand Lists.

2. **Change method of calculation and collection of Land Use Change Tax (LUCT)**
 - Base LUCT on 10% of developed land, rather than on present pro-ration formula
 - Administer locally with 50% going to town and 50% to State
 - Must provide an “easy out”: landowners have option to (1) withdraw all land without penalty and no re-enrollment for five years; (2) withdraw part of land and pay penalty on pro-ration formula; (3) keep all land enrolled.
 - Estimated fiscal impact: This is uncertain. While some landowners will withdraw with no penalty (option #1), others will choose option #2 and accelerate a partial withdrawal in order to take advantage of the lower rate. Because the new formula will produce much higher income, a much small amount of acreage will need to be withdrawn to replicate the current \$500,000-\$650,000 receipts. Eventually, when withdrawals return to the normal 3,000-5,000 acre annual rate, LUCT revenues will total \$4-6.5 million or more.

3. **Increase the Property Transfer Tax on sales of enrolled land**
 - Change PTT rate from 0.5% to 1.25%.
 - Estimated fiscal impact: \$300,000 annually

4. **Levy temporary \$25 per parcel tax surcharge to complete electronic administration**
 - Surcharge would apply for three years, and then sunset,
 - Maximum surcharge would be \$150 per landowner; landowners with more than six enrolled parcels could apply for a refund.
 - Estimated fiscal impact: \$350,000-\$375,000 annually for three year

5. **Establish a realistic fee schedule for applications, withdrawals, transfers, etc.**
 - The current \$40 application fee covers only 30-40% of actual cost. No fees are charged for other changes in Current Use enrollment.
 - Property Valuation and Review would be asked to study the actual costs associated with these functions, and propose a fee schedule to the Legislature.