

## **MEMORANDUM**

**TO:** Consulting Foresters

**FROM:** Steven J. Sinclair, Director of Forests

**DATE:** June 26, 2015

**SUBJECT:** **Changes in the Law Affecting the Current Use Program in 2015**

The 2015 legislative session brought several changes regarding Vermont's Use Value Appraisal (UVA aka "Current Use") program. A summary of these changes is below, but perhaps the biggest change relates to how the Land Use Change Tax (LUCT) is to be calculated and a temporary "Easy Out" period in which landowners can remove an entire parcel, or portion of a parcel, without paying the full LUCT liability.

### **Changes to the Land Use Change Tax Calculation and the Temporary "Easy Out" for Withdrawing Land**

#### **Land Use Change Tax (LUCT) calculation**

Starting October 2, 2015, the LUCT is imposed a single rate of 10% of the full fair market value of the land that is developed, *regardless of how long it has been enrolled*. The current system of calculating the penalty using a prorata figure, when just a portion of a parcel is developed, will not be in effect as of October 2, 2015. This means that small portions removed that tend to have a much higher per-acre value will see a greatly increased LUCT, whereas if an entire parcel is developed, there is usually no change in the LUCT. In fact, currently if an entire parcel has been enrolled less than 10 years, there would be a 20% penalty to remove the lien, but once the new changes are in effect, the parcel would be assessed only a 10% LUCT.

LUCT is also due when land is withdrawn from the Current Use program and the owner voluntarily wishes to remove the lien. When an owner withdraws land without removing the lien, the LUCT will be due when the land is developed later on or when lien is later removed. In any case, land that is withdrawn or developed will be valued at the time it is withdrawn, even if the LUCT is not immediately due.

*The key point to remember* in this change is that if only a portion of a parcel is developed or withdrawn, that portion will be valued as a separate parcel and the 10% tax rate will apply to that portion of the parcel only.

### “Easy Out”

Between **July 1 and October 1, 2015**, owners of enrolled land can utilize an Easy Out option to withdraw land from the Current Use program and remove the lien without paying the full LUCT. Owners withdrawing land during the Easy Out period are exempt from paying the first \$50,000 of LUCT. For those lands exceeding the \$50,000 cap, the previous method for calculating the LUCT (that prorated the value of the withdrawn land on the basis of total enrolled acres) will be used during this July 1 - October 1 time frame. A property owner who uses Easy Out is required to retroactively pay the full property tax on land withdrawn under this provision based on the full fair market value for the 2015 tax year. Any land that is withdrawn using Easy Out cannot be re-enrolled in the Current Use program for at least 5 tax years.

By July 1, the Property Valuation and Review Office (PVR at the Vermont Department of Taxes) will be mailing a notice to all UVA enrollees detailing the above-listed these changes. The *Application to Discontinue Land* form through the Easy Out option will be posted on the Department of Taxes website but will NOT be mailed to each landowner. It is imperative that all information be properly filled out in this form and submitted by the deadline of October 1, 2015. Of note and per standard practice, all landowners must sign the form with original signatures. Additionally, landowners must include payment for the lien release fee (\$10 per town) when submitting the application. Incomplete applications will be grounds for denial of the request for discontinuance, so we encourage you and your clients to pay close attention to the Department of Taxes detailed instructions.

For partial withdrawals, the application must be accompanied by 3 copies of up-to-date Current Use maps. Where a property involves multiple towns, clients must submit three copies of each map of each town. Maps that do not meet PVR standards may be sufficient grounds to deny the withdrawal request. In brief, please ensure that PVR instructions are followed to the letter. The PVR Office is available to assist you and your clients before the application is submitted not during the review process. Because the PVR internal review process is on a tight deadline, an incomplete or incorrect application may be sufficient grounds to dismiss the withdrawal request.

**Please note:** For clients that wish to take advantage of this Easy Out option, maps, forms, and fees must be sent directly to the PVR Office not the FPR County Forester. All questions related to Easy Out should be directed to the PVR Office.

To access the Easy Out form (CU-312) and directions on its submission, see <http://www.state.vt.us/tax/pdf.word.excel/forms/pvr/CU-312.pdf>.

## **Changes to Enrolled Agricultural Lands Regarding Certification and Removal**

### **Certification**

Beginning in 2015, agricultural landowners whose properties are enrolled in the agricultural Current Use program must certify in writing under oath to the Department of Taxes that all enrolled agricultural land and buildings continue to meet the requirements for enrollment at the time of the certification on a yearly basis on or before September 1.

### **Removal**

Beginning on July 1, 2015, the Agency of Agriculture, Food, and Markets (AAFM) will have authority to direct the Department of Taxes to remove agricultural land and farm buildings from the Current Use program when said land or buildings are being used by a person who is in violation of the water quality requirements established in law, administrative rule, or any permit or certification. Appeals of land removed pursuant to this provision must be made to the AAFM.