

Vermont Woodlands Association

Public Policy Issue Brief: Use Value Appraisal and Current Use Taxation

Background:

When Vermont was primarily an agricultural state, farmland and farm buildings were reliable indicators of wealth because most people made their livings directly from the land. Taxing a farm at “fair market value” or “ad valorem” (at value) meant taxing the farm based on its size, soil quality, proximity to markets and therefore the ability of the particular farm to produce income. Taxing farm and forest land based upon the real value of the land in the market place, meant taxing it at the fair value at its current use. At the time, this was equivalent to a “current use” tax system because farm and forest land was only used for crop and forest product production and therefore, was only valued and taxed based upon those uses. For a period of time, this was a fair system that taxed land based on productive capacity, raising necessary revenue without creating undue burden.



While agriculture and forestry remain important sectors of the Vermont economy, they do not dominate the economy as they once did, and most Vermonters now work outside these sectors. There are more people in the market able to purchase land, more income to purchase land with, and more potential uses for land than crop or forest product production. For property tax purposes, land is still valued based upon fair market value, but that “market value” has evolved and expanded to mean “real estate value,” rather than the value as agricultural or forest land. Our property tax system remains an “ad valorem” or “fair market value” system, but it is no longer a “current use” tax system.

Ad valorem tax systems tend to apply tax pressure on under-developed real estate, such as farm or forest land, encouraging owners to move land to the so called “highest and best use,” which is the highest potential state of development of the land. Current use tax systems value land at current use and tax all land based on that current value, not potential development value. Farm land is valued and taxed based on its capacity to produce a crop, not its potential as a site for solar panels or a super market. Forest land is valued and taxed based upon its capacity to grow trees, rather than for its potential as residential home sites. The distinction is that an ad valorem system actively pressures undeveloped land toward development, while the current use tax system retains the freedom to develop, but applies no pressure to develop.



The Vermont Legislature has recognized that the ad valorem property tax system places undue development pressure on farm and forest land, and has instituted the “Use Value Appraisal” program as a current use option. Enrollment in the program results in property taxes that are compatible with the productive capacity of the land. There is widespread agreement that the program has been very successful and has helped maintain Vermont’s tradition of a working landscape. Surveys and forums conducted by the Council on the Future of Vermont, substantiate how highly the public values this working landscape of forests and farms.

Vermont Woodlands Association (VWA) Policy:

The Vermont Woodlands Association recognizes that the Use Value Appraisal program, and current use taxation, is critically important to landowners who practice forestry or agriculture in Vermont and strongly supports continuation of the program. Maintenance of a productive landscape with working farms and healthy forests not only provides jobs in our local communities for those who grow, harvest, transport and process the products we produce from the land, but also provides substantial benefits to the public in the form of the wholesome locally-grown food, high-quality sustainably produced forest products, clean air, clean water, carbon storage, wildlife habitat, and recreational opportunities that define the Green Mountain State.

The Vermont Woodlands Association pledges to continue to work constructively with the landowners of Vermont, our Legislature and our conservation partners to support and make improvements to the Use Value Appraisal program, while resolutely defending fair taxation for forest and farm land and the maintenance of healthy forests and farms in a productive, working landscape.

Policy Approval:

VWA is a nonprofit (501(c)(3)) association dedicated to the health and enhancement of the working forest in Vermont. Through education, outreach, and advocacy we are a Voice for Healthy Forests in the Green Mountain State. This policy document was approved by the VWA Board of Directors on 14 February 2019.



Vermont Woodlands Association
PO Box 6004, Rutland, VT 05702
802-747-7900 www.vermontwoodlands.org

