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Agency of Administration

2024 LEGISLATIVE HIGHLIGHTS

ADMINISTRATIVE AND TECHNICAL TAX CHANGES

Annual Adoption of Federal Tax Law, [Act 144 \(H.546\), Sec. 3-4](#)

- Adopts federal tax laws, as of December 31, 2023, basing the Vermont tax code on federal law.
- Effective retroactive to January 1, 2024, and applicable to taxable years beginning on or after January 1, 2023.

Miscellaneous technical changes, [Act 144 \(H.546\)](#)

Sec. 1

- A technical cleanup of the funding source indicated in statute for the per parcel reappraisal fee paid to municipalities.
 - Payment to municipalities shall be made from the General Fund, not the Education Fund.

Sec. 2

- Expands the circumstances in which the Director of Property Valuation and Review may recalculate a municipality's education tax responsibility after a valuation appeal. If the adjudicated decision may be further appealed but the value determined by the decision is a reasonable representation of fair market value, then the Director may recalculate the municipality's education tax owed to the State.
- Effective June 3, 2024.

CANNABIS TAX

Retail sales of cannabis to medical patients and caregivers, [Act 166 \(H.612\), Secs. 5 & 13-14](#)

- Licensed recreational retailers may obtain a medical-use endorsement to sell tax-free cannabis and cannabis products to registered patients directly or through their registered caregivers. Neither sales tax nor cannabis excise tax will apply to qualifying retail sales.
- Retailers that sell cannabis or cannabis products that are exempt from taxation must retain information pertaining to each exempt transaction, as required by the Commissioner of Taxes.
- Effective June 3, 2024.

COMMUNICATIONS TAXES

Vermont communications taxes, [Act 145 \(H.657\)](#)

Sec. 4

- Changes the section of statute where the USC rate is applied.

Sec. 7

- Repeals the Telephone Personal Property Tax on July 1, 2025, with the final monthly installment payment on net book value of the taxpayer's personal property as of December 31, 2024, due to the Department of Taxes on or before July 25, 2025.
- Repeals the Alternative Telephone Gross Revenues Tax on January 1, 2026, with the final monthly payment due on or before January 25, 2026.
- Taxpayers subject to the Alternative Telephone Gross Revenues Tax prior to its repeal on January 1, 2026, shall be subject to the income tax starting with tax year 2025, and no Alternative Tax shall be due for tax years which began on or after January 1, 2025.
- Beginning in fiscal year 2025, communications property as defined will be listed and taxed as real property.
- The Division of Property Valuation and Review shall collect inventories of property and provide values to municipalities.

Secs. 8-10

- Requires that all communications property be set in the grand list as real estate starting on and after April 1, 2025, and subjects communications property to property tax starting July 1, 2025.
- Communications property owned by a nonmunicipal communications provider shall be taxed based on fair market value.
- Defines "communications property."

- On or before May 1 of each year, the Division of Property Valuation and Review is required to collect inventories of communications property from communications service providers and to provide each municipality with a value of all taxable communications property within that municipality.
- Sec. 13 provides an appropriation of \$150,000 to the Division in fiscal year 2025 to create a property valuation model for communications property.

Sec. 11

- Defines “business personal property” to exclude communications property subject to a locally voted business personal property tax.

Sec. 12

- Communications property owned by a municipality but located outside of the municipality shall be taxed at the appraised value.

Sec. 15

- Secs. 8-12 (taxation of communications property and repeal of Telephone Personal Property Tax) shall take effect on July 1, 2025, and apply to grand lists lodged on or after April 1, 2025.

CONFIDENTIALITY OF TAX RECORDS

Disclosure of fuel tax information, [Act 142 \(S.305\), Sec. 12](#)

- The Department of Taxes may, at the discretion of the Commissioner of Taxes, disclose a tax return or return information to the Public Utility Commission and the Department of Public Service to be used for the purposes of auditing and compliance efforts pertaining to the Clean Heat Standard.
- At a minimum, the Department shall provide the names of new businesses selling heating fuel in any given year, as well as the names of businesses that are no longer selling heating fuel.
- Effective May 30, 2024.

Disclosure of information from the Landlord Certificates, [Act 181 \(H.687\), Sec. 99](#)

- The Department of Taxes may, at the discretion of the Commissioner of Taxes, disclose information from the Landlord Certificate to the Department of Public Safety for emergency management and communications purposes, and to the Department of Housing and Community Development and their contractor for the purposes of conducting the statewide housing needs assessment.
- Effective June 17, 2024.

EDUCATION FINANCE

Transitioning education financing to the new system for pupil weighting, [Act 84 \(H.850\)](#)

- Replaced the transition mechanism from Act 127 of 2022 with a new mechanism to help school districts adapt to the new system for pupil weighting by temporarily reducing the tax rate increase for districts that lost taxing capacity.
- Allowed school districts to cancel a district vote on the fiscal year 2025 budget, amend the proposed budget, and hold a vote at a later date.
- Effective February 22, 2024.

FUEL TAX

Miscellaneous tax administrative and technical changes, [Act 144 \(H.546\), Sec. 10](#)

- Extends the Fuel Tax sunset to June 30, 2029.

HEALTH CARE CLAIMS TAX

Miscellaneous tax administrative and technical changes, [Act 144 \(H.546\), Secs. 11-12](#)

- Extends the sunset of the allocation of health care claims tax revenues to the Health IT-Fund to July 1, 2026.

HOUSING

Property tax exemption to incentivize the creation of housing in flood-impacted areas, [Act 181 \(H.687\), Secs. 79-83](#)

- Creates a new property tax exemption for rehabilitating or building new principal residences.
- For qualifying properties, the taxable property value will be frozen at the pre-improvement value for 3 years. The property will be taxed at the most recently appraised grand list value at the end of the 3-year exemption period.
- The exemption applies to the State education grand list and, if a municipality opts in, it will apply to the municipal grand list, too.
- Properties must be used as principal residences, either as homesteads or long-term rentals for which a landlord certificate is required (rentals of 30 consecutive days or more). Non-residential property, second homes, and short-term rentals do not qualify.
- Properties must be located within one-half mile of designated downtowns, village centers, neighborhood development areas, or federal new market tax credit areas and in any county except Grand Isle, Essex, or Bennington.



- Properties located in a tax increment financing (TIF) district may be eligible for the exemption, but only if the municipality where the property is located elects to allow the exemption within the TIF district.
- Applications for exemption must be submitted to the Agency of Commerce and Community Development.
 - Exempt property owners must certify annually with ACCD that the property continues to be used for a qualifying purpose.
 - If the property is ever disqualified after receiving the exemption, recipients must pay back all previously exempted taxes (even if they qualified at the time) plus interest.
 - No new applications for exemption will be approved after December 31, 2027.
 - This exemption will be repealed on July 1, 2037.

LANDLORD CERTIFICATES

Changes to the Landlord Certificate, [Act 181 \(H.687\), Sec. 98](#)

- New items will be required to be reported on the landlord certificate, which is due annually on or before Jan. 31, including:
 - The landlord’s phone number and email address
 - The gross monthly rent per unit.
 - The year in which the rental unit was built.
 - The ADA accessibility of the rental unit.
 - The first landlord certificate filings to require the new data will be due in January 2026.

MEALS AND ROOMS TAX

Short-term rental surcharge, [Act 183 \(H.887\), Sec. 5](#)

- Defines “short-term rental” as a furnished, house, condominium, or other dwelling room or self-contained dwelling unit rented to the transient, travelling, or vacationing public for a period of fewer than 30 consecutive days and for more than 14 days per calendar year. However, if the unit is licensed as a lodging establishment such as a hotel or B&B under 18 V.S.A. Chapter 85, no short-term rental surcharge is required.
- Requires that operators of short-term rentals collect a new 3 percent surcharge, in addition to the 9 percent Rooms Tax and any 1 percent Local Option Tax already collected by the operator.
- The surcharge must be remitted electronically by the operator to the Department of Taxes.

MUNICIPALITIES

Reimbursement to municipalities of certain tax abatements and borrowing expenses [Act 82 \(S.160\)](#) & [Act 108 \(H.861\), Sec. 3](#)

- The Department of Taxes may approve reimbursements to municipalities for qualifying State education property tax payments if:
 - A municipality abated State education property taxes on property that was damaged by severe storms and flooding on July 7-21, 2023, and August 3-5, 2023, and,
 - The damaged property meets specific eligibility requirements.
- Interest expenses incurred by municipalities on funds borrowed to make State education property tax payments due to disruption of tax collections resulting from severe storms and flooding on July 7-21, 2023, and August 3-5, 2023.
 - This reimbursement is limited to an amount equal to the municipality's reasonable interest expenses but not more than an 8 percent interest rate.
- The date before which municipalities must have abated education property taxes eligible under Act 82 was extended from April 15 to November 15, 2024, pursuant to [Act 108 \(H.861\), Sec. 3](#).
- Applications by municipalities for reimbursement are to be submitted to the Department of Taxes.
 - Reimbursements will be processed by the Agency of Education as a reduction in Education Property Tax liability.
- Act 82 became effective February 7, 2024.
- Act 108 became effective May 13, 2024.

Translations of information regarding Property Tax Credits and tax sale notices, [Act 106 \(H.629\)](#)

- Requires the Department of Taxes to supply to municipalities for inclusion in property tax notices a plain language explanation of how to file a property tax credit and where to find assistance, including translations of the explanation.
- Requires the Department to make translations of tax sale notices available to municipalities.
- Effective May 13, 2024.

Local Option Tax, statewide, [Act 144 \(H.546\), Sec. 20](#)

- The voters and legislative body of any municipality may vote to adopt a local option tax.
- The Commissioner of Taxes may limit the number of municipalities enacting a local option tax to five per calendar year.
- Effective July 1, 2024.

Local Option Tax, Berlin, [Act M-25 \(H.885\)](#)

- Permits the Town of Berlin to amend its charter so voters may vote to assess the following Local Option Taxes:
 - One percent on sales,
 - One percent on rooms,
 - One percent on meals and alcoholic beverages.
- Effective May 29, 2024.

Local Option Tax, Waterbury, [Act M-20 \(H.801\)](#)

- Permits the Town of Waterbury to amend its charter to assess the following Local Option Taxes:
 - One percent on sales,
 - One percent on rooms,
 - One percent on meals and alcoholic beverages.
- Effective March 29, 2024, with collections to begin July 1, 2024.

Local Option Tax, South Hero, [Act M-21 \(H.554\)](#)

- Permits the Town of South Hero to amend its charter to assess one or more of the following Local Option Taxes:
 - One percent on rooms,
 - One percent on meals and alcoholic beverages.
- Effective April 16, 2024, with collections to begin July 1, 2024.

PROPERTY TAX

Setting the yield, and property tax rates for fiscal year 2025, [Act 183 \(H.887\), Sec. 2](#)

- Referred to as the “Yield Bill,” this Act sets the property dollar and income dollar equivalent yields for the purpose of setting the homestead property tax rates and the nonhomestead property tax rate.
- Effective June 17, 2024.

Reimbursement to municipalities of certain tax abatements and borrowing expenses due to flooding, [Act 82 \(S.160\) & Act 108 \(H.861\), Sec. 3](#)

- Property taxpayers who suffer damage to their properties may be eligible to receive abatements of property taxes, fees, and other charges if they apply to their municipality. Typically, municipalities that abate a property owner’s State education property tax still owe education tax due on that property to the State. Act 82 created a program to reimburse municipalities for education property tax that was abated for qualifying properties that were lost or destroyed due to severe storms and flooding

on July 7-21, 2023, and August 3-5, 2023. Act 82 also allowed municipalities to request reimbursement of certain borrowing expenses related to the flooding on July 7-21, 2023, and August 3-5, 2023.

- The date before which a municipality must have abated education property taxes eligible under Act 82 was extended from April 15 to November 15, 2024, pursuant to [Act 108 \(H.861\), Sec. 3](#).
- The definition of household income, for the purposes of the homestead property tax credit, shall exclude disaster relief payments, including abatements made, in tax years 2023 and 2024.
- Act 82 became effective February 7, 2024.
- Act 108 became effective May 13, 2024.

Exemption for county-owned property, [Act 144 \(H.546\), Sec. 9](#)

- Real and personal property owned by a Vermont county and located within that county's territorial limits will be exempt from property taxation.
- Real and personal property owned by a Vermont county but located outside the county's territorial limits will be subject to municipal property tax by the municipality where the property is located, unless the public, pious, and charitable uses exemption applies.

Excess spending threshold, [Act 183 \(H.887\), Secs. 18-20](#)

- The Excess Spending Threshold (relating to education spending) has been reinstated for fiscal year 2026 and will be factored into tax rates.
- Bonds and voter-approved bond payments approved before July 1, 2024, shall not be included in education spending for the purposes of calculating excess spending when it takes effect in fiscal year 2026 (July 1, 2025).

PROPERTY TAX CREDIT

One-year increase to Property Tax Credits, [Act 183 \(H.887\), Sec. 2\(4\)](#)

- Property Tax Credits issued in 2024 shall be increased by 13 percent for each claimant.

Repeal of late fee for Property Tax Credits, [Act 144 \(H.546\), Secs. 6-7](#)

- Repeals the \$15 late fee for Property Tax Credits filed between April 15 and October 15.
- Applicable to Property Tax Credits filed in 2024 and after.

Translations for taxpayers regarding Property Tax Credits, [Act 106 \(H.629\), Sec. 3](#)

- Taxpayers will find new language, prepared by the Department of Taxes, on the back of property tax bills indicating where taxpayers can find translated materials pertaining to the homestead property tax credit.

PROPERTY TRANSFER TAX

Enhanced life estate deeds, [Act 161 \(H.878\), Sec. 43](#)

- If an interest in an enhanced life estate is revoked or revised after property transfer tax has been paid, taxpayer may petition the Department of Taxes for a refund at any time after the revocation or revision. A refund request is no longer limited to eight years from the date of payment or to within one year of the revocation or revision.

Adjustments to the Property Transfer Tax thresholds and rates, [Act 181 \(H.687\), Sec. 73-78](#)

Sec. 73(1)

- Increases the threshold at which Property Transfer Tax must be paid on the value of properties used as a principal residence from \$100,000 to \$200,000.
 - Except that no tax shall be paid on the first \$250,000 if the purchaser's mortgage was funded by Vermont Housing and Conservation Trust Funds, Vermont Housing and Finance Agency, or U.S. Department of Agriculture and Rural Development.

Sec. 73(3)

- Increases the threshold at which Property Transfer Tax paid on transfers of properties to be used as principal residences by certain affordable housing cooperatives from \$100,000 to \$200,000.

Sec. 73(4)

- Adds a new Property Transfer Tax rate of 3.4 percent of the value of the transfer if (A) the property transferred is residential and is fit for year-round habitation, (B) the property will not be used as the principal residence of the buyer, and (C) the buyer will not be required to provide a landlord certificate because the residence will not be used as a rental for 30 days or more.

Sec. 74

- Changes the Clean Water Surcharge from 0.2 to 0.22 percent of the value of property subject to the Property Transfer Tax and increases the threshold after which the surcharge is applied from \$100,000 to \$200,000 of property value for principal residences.
 - If the property transferred was financed in part by Vermont Housing and Conservation Trust Funds, Vermont Housing and Finance Agency, or U.S. Department of Agriculture and Rural Development, the value at which the surcharge shall be applied increased from \$200,000 to \$250,000.



Sec. 75

- Conforming change to ensure the Clean Water Surcharge rate still decreases from 0.22 to 0.04 percent of the value of property subject to the Property Transfer Tax on July 1, 2027, as originally amended by [Act 85](#) of 2017.
- Decreases the statutory allocation of the Property Transfer Tax revenues to the Department of Taxes for Property Valuation and Review administration costs from 2.0 to 1.5 percent.

Sec. 76

- Decreases the statutory allocation of Property Transfer Tax revenues to the Municipal and Regional Planning Fund from 17 to 13 percent.

Sec. 77

- Increases the allocation of Property Transfer Tax revenues to the General Fund from 33 to 37 percent.

Sec. 78

- Property Transfer Taxes collected in excess of \$32,954,775.00 shall be deposited into the General Fund and of that excess amount specific amounts shall be transferred to other funds.

Properties exempt from the Property Transfer Tax, [Act 181 \(H.687\)](#), [Sec. 83a](#)

- Transfers of the following properties shall be exempt from the Property Transfer Tax:
 - An abandoned dwelling that the transferee certifies will be rehabilitated for occupancy as a principal residence and not as a short-term rental within three years of the date of transfer.
 - New mobile homes meeting certain energy efficiency standards.

PROPERTY VALUATION AND REVIEW

Utility Valuation, [Act 144 \(H.546\)](#), [Sec. 8](#)

- The Department of Taxes may require municipalities to use values provided by the Department for properties used for the transmission and distribution of electricity.

RENTER CREDIT

Expansion of Renter Credit, [Act 144 \(H.546\)](#), [Sec. 5](#)

- Expands the Renter Credit Program to allow renters with up to 65 percent of Area Median Income to be eligible.
- Applicable to Renter Credits filed in 2025 and after.



REPORTS, STUDIES, TASKS, AND COMMITTEES

Commission on the Future of Public Education in Vermont, [Act 183 \(H.887\), Sec. 1](#)

- Creates the Commission on the Future of Public Education in Vermont to study education in Vermont.
- The Commission shall recommend a statewide vision for Vermont’s public education system, with recommendations for policy changes.
- The Department of Taxes is one of more than a dozen entities that will be members of this Commission.
- The following deadlines apply:
 - The Commission must produce a work plan by September 15, 2024.
 - A report with preliminary findings and recommendations, including short-term cost containment considerations, is due December 15, 2024.
 - Draft recommendations of the Commission shall be published on or before October 1, 2025, and the Commission shall seek public feedback prior to completing its final report.
 - A final report as well as proposed legislative language is due December 15, 2025.
- The Commission shall cease to exist on December 31, 2025.
- The steering group, a subcommittee to the Commission, must provide leadership to the Commission and shall work with a consultant(s) to analyze the issues, challenges, and opportunities facing Vermont’s public education system, to address education finance topics, and to develop a work plan to formalize the process through which the Commission shall make its final recommendations.

Education Fund Advisory Committee, [Act 183 \(H.887\), Secs. 11-12](#)

- Creates the Education Fund Advisory Committee to monitor Vermont’s education financing system, conduct analyses, and perform other duties.
- The Department of Taxes and 11 other entities will be the members of this Committee.
- The Commissioner of Taxes shall call the first meeting prior to July 15, 2025.
- Requires annual reporting to the General Assembly on matters pertaining to:
 - Pupil weighting
 - Categorical aid
 - Property tax credits
 - Education Fund revenue sources
 - Improving equity, transparency, and efficiency in education funding
 - Education fund stabilization reserves
 - School district reserve funds
 - Other matters the committee deems relevant.
- The Education Fund Advisory Committee shall cease to exist on July 1, 2034.



Outreach regarding statewide adjustments, [Act 183 \(H.887\), Sec. 13](#)

- The Agency of Education, in consultation with the Department of Taxes, must conduct outreach to explain how statewide adjustments will be used to calculate tax rates, and how this differs from the previous method of calculating tax rates using the common level of appraisal (CLA).
- Defines “statewide adjustment” as “the ratio of the aggregate education property tax grand list of all municipalities to the aggregate value of the equalized education property tax grand list of all municipalities.”

Property tax credit claims and declaration of assets, [Act 183 \(H.887\), Sec. 21](#)

- Requires that the Department of Taxes recommend to the Legislature both administrative and policy improvements pertaining to property tax credit claims and the possibility of including an asset declaration on the claim form.
- Report is due December 15, 2024.

Working group, [Act 181 \(H.687\), Sec. 22](#)

- The Department of Taxes and other stakeholders shall serve on a working group assembled by the Land Use Review Board to develop a rule pertaining to protecting critical natural resources in areas with Tier 3 designations.

Disclosure of information pertaining to the Landlord Certificate and Fuel Tax

- The Department of Taxes may, at the discretion of the Commissioner of Taxes, disclose information from the Landlord Certificate and Fuel Tax returns.
- See [Confidentiality of Tax Records section, above](#), for additional information.

SALES AND USE TAX

Taxation of prewritten software accessed remotely, [Act 183 \(H.887\), Sec. 3-4](#)

- Changes the definition of tangible personal property that is subject to Sales and Use Tax to include prewritten computer software regardless of the method by which it is paid for, delivered, or accessed.
- Repeals the Sales Tax exemption on prewritten software that is accessed remotely.
- Effective July 1, 2024.

Taxation of sales of all-terrain vehicles, [Act 144 \(H.546\), Sec. 13-14](#)

- Removes the Sales Tax exemption for casual sales of all-terrain vehicles and imposes Sales Tax on all-terrain vehicles in the same way that Sales Tax is applied to snowmobiles, motorboats, or vessels.



Advanced wood boilers, exemption, [Act 144 \(H.546\), Sec. 12a-b](#)

Extends the Sales Tax exemption for advanced wood boilers to July 1, 2027.

TAX CREDITS AND INCENTIVES

Machinery and equipment, tax credit, [Act 144 \(H.546\), Sec. 16-19](#)

- Extends the sunset for claiming the Machinery and Equipment Tax Credit to December 31, 2030.

Vermont Employment Growth Incentive Program (VEGI), sunset, [Act 176 \(H.10\)](#)

- Extends the sunset of VEGI by two years, allowing the Vermont Economic Progress Counsel (VEPC) to accept or approve VEGI applications through December 31, 2025.
- Effective July 1, 2024.

Land Gains Tax, exemption, [Act 181 \(H.687\), Sec. 24](#)

- In designated downtowns and village centers, certain properties may be eligible for an exemption from the Land Gains Tax.