

## **Vermont Law on Property Tax Appraisals of Covenant-Restricted Homes (Effective April 1, 2006)**

### **32 V.S.A. § 3481(1) Definitions**

The following definitions shall apply in this Part and chapter 101 of this title, pertaining to the listing of property for taxation:

(1) “Appraisal value” shall mean, with respect to property enrolled in a use value appraisal program, the use value appraisal as defined in section subdivision 3752(12) of this title, multiplied by the common level of appraisal, and with respect to all other property, the estimated fair market value. The estimated fair market value of a property is the price which the property will bring in the market when offered for sale and purchased by another, taking into consideration all the elements of the availability of the property, its use both potential and prospective, any functional deficiencies, and all other elements such as age and condition which combine to give property a market value. Those elements shall include a consideration of a decrease in value in non-rental residential property due to a housing subsidy covenant as defined in section 610 of Title 27, or the effect of any state or local law or regulation affecting the use of land, including but not limited to chapter 151 of Title 10 or any land capability plan established in furtherance or implementation thereof, rules adopted by the state board of health and any local or regional zoning ordinances or development plans. In determining estimated fair market value, the sale price of the property in question is one element to consider, but is not solely determinative.

For residential rental property that is subject to a housing subsidy covenant or other legal restriction, imposed by a governmental, quasi-governmental, or public purpose entity, on rents that may be charged, fair market value shall be determined by an income approach using the following elements:

- (A) market rents with utility allowance adjustments for the geographic area in which the property is located as determined by the federal office of Housing and Urban Development;
- (B) actual expenses incurred with respect to the property as provided by the property owner and certified by an independent third party;
- (C) a vacancy rate that is 50 percent of the market vacancy rate as determined by the United States Census Bureau with local review by the Vermont housing finance agency; and
- (D) a capitalization rate that is typical for the geographic area determined and published annually prior to April 1 by the division of property valuation and review after consultation with the Vermont housing finance agency.