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Land gains taxation : the Vermont case

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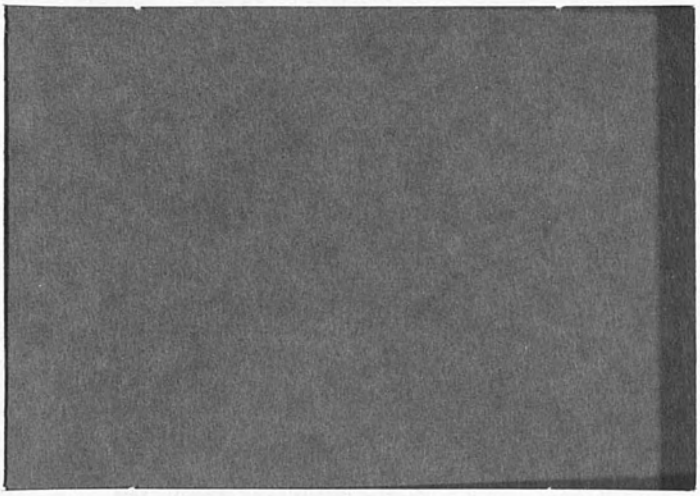

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THE AUTHOR WISHES TO THANK THE CENTER'S REVIEWERS FOR THEIR HELPFUL COMMENTS. ANY REMAINING ERRORS ARE THE AUTHOR'S SOLE RESPONSIBILITY.

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I. INTRODUCTION

The surge of environmentalism in the early 1970's produced numerous state and federal programs, many of which still exist. Among the most innovative of these programs is the Vermont capital gains tax on land sales. An evaluation of the effectiveness of the gains tax in raising revenue and curbing speculative activity, however, has largely been neglected.[1] While the costs and benefits of the gains tax program may change over time, an evaluation might identify certain continuing flaws and propose corrective measures.

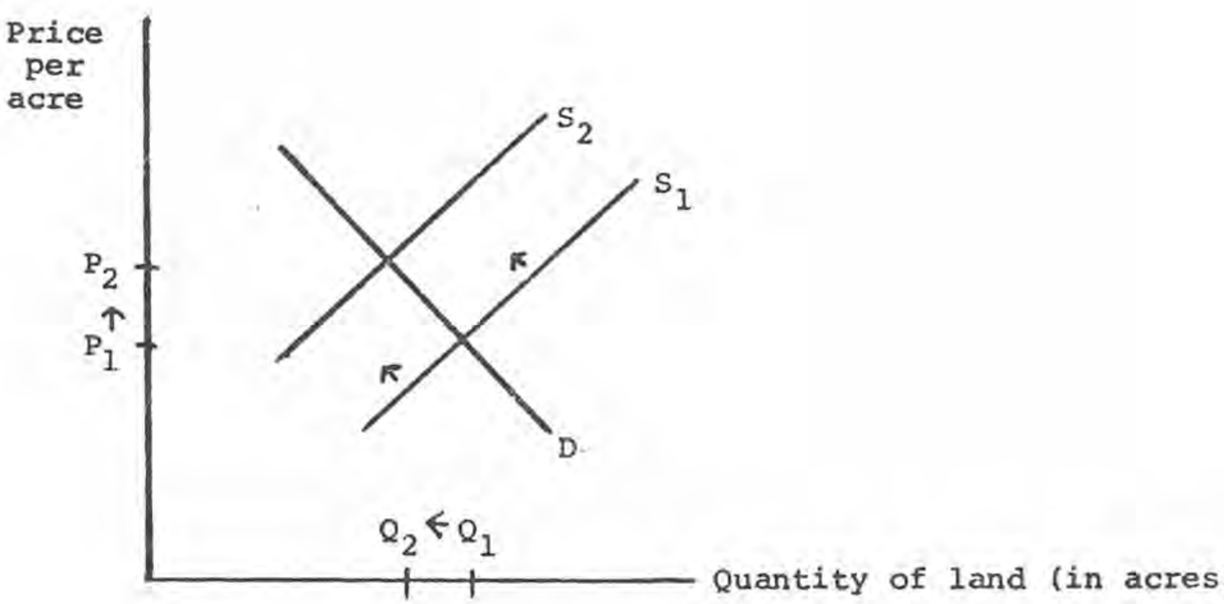
In a recent article, Healy and Short[2] identified three major trends in U.S. rural land markets: (1) increasing demand for all types of rural land, causing rapidly rising prices; (2) changes in the identities of rural landowners toward absentee ownership; and (3) changes in the size distribution of landholdings toward smaller parcels--so-called parcellation. These trends were set in motion following World War II and accelerated in the late 1960's until the land price deflation of the early 1980's. The forces behind these trends included: rising personal incomes, greater demand for recreation, government policies encouraging rural development, and desire to escape urban areas.

The growing demand for rural land caused a rise in land prices exceeding the high inflation rates of the 1970's, making investment in rural land attractive, especially to people in higher income-tax brackets who were seeking preferentially taxed capital gains. Although greater land market activity brought economic diversification to traditionally resource-based communities, it also contributed to premature and unplanned development, loss of open space, erosion of resource bases, and increases in property taxes as the demands for public services grew.

The role of speculation in rural land markets is subject to debate. On the one hand, speculators provide liquidity by bearing risk and holding costs such as property taxes and mortgage payments, while facilitating the transfer of land from extensive to more highly appraised intensive uses. Speculation can stabilize markets by dampening price fluctuations and speeding the adjustment of market price to the equilibrium level. On the other hand, speculation can be destabilizing, because speculators typically offer higher prices than the land would otherwise bring on the local market in the anticipation that land prices will soon rise from increased demand, that land can be sold quickly, and that "windfall profits" can be gained without improving the property. This behavior may contribute to higher local land prices, more intensive land uses, and expectations of further price increases. The piecemeal sale of scattered lots and unplanned development are likely to occur as surrounding landowners perceive the profitability of land subdivision. Thus, land speculation has the potential of altering land markets long after a speculative boom has ended.[3]

One possible means of controlling land market activity is the imposition of a special capital gains tax on profits from the sale of land. Variations of this tax have been used in Great Britain, Canada, Australia, and New Zealand, to raise public revenue and to discourage speculation in real estate.[4] In theory, a land gains tax would reduce the amount of land supplied on the market by reducing the profitability of selling land (see figure 1). That is, the seller must obtain a higher price to cover some or all of the cost of the tax to be willing to sell. At least,

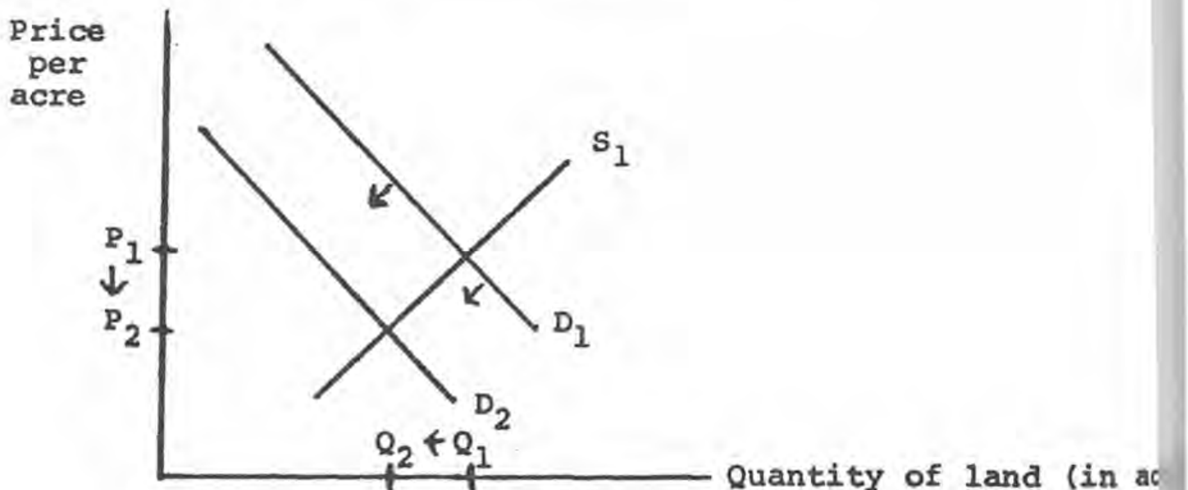
Fig. 1. Seller Reaction to a Gains Tax



this happens for some land held for short periods. Other land will not be affected. In figure 1 the price rise deters buyers as we see a decline in quantity demanded, Q_1 to Q_2, moving along the demand curve.

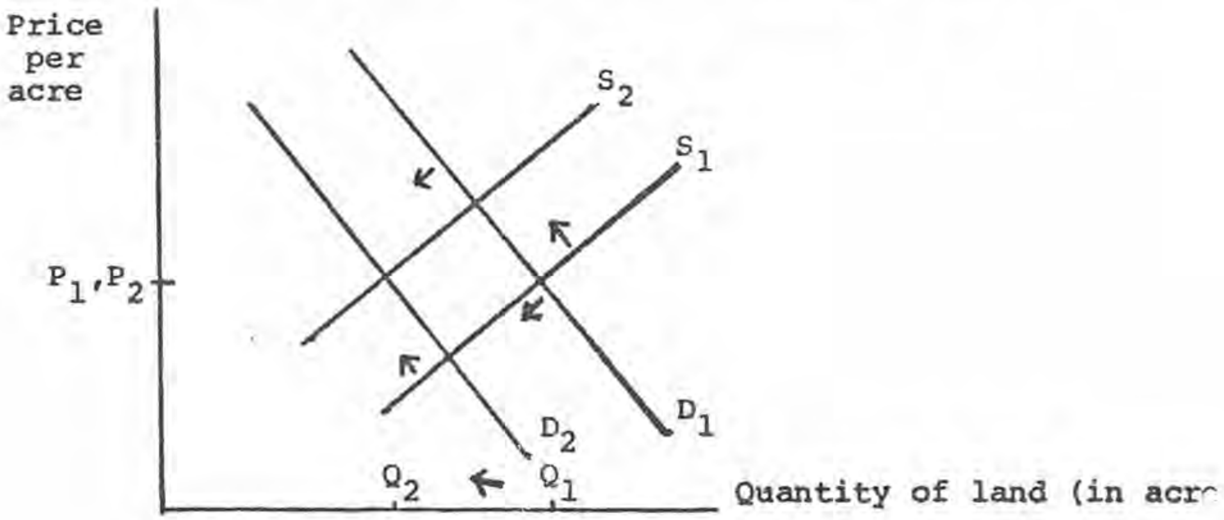
Because the land is subject to this special capital gains tax, the future expected value of the land falls. The buyer is willing to offer less for the same land if resale is anticipated (see figure 2). This causes a downward shift in the demand curve and puts downward pressure on prices. Demand may not shift if resale is not a prime motivation for buying.

Fig. 2. Buyer Reaction to a Gains Tax



If both supply and demand curves fall as in the above examples, then prices may remain stable as we simply observe a dramatic drop in the number of sales and acreage sold (see figure 3). However, if the demand curve does not fall as in figure 1, we would still expect a drop in land sales and acreage sold but upward price movements. If supply does not fall as in figure 2, which may be the case after some years of holding, then we have expectations of a future decline in price.

Fig. 3. Reaction of Buyer and Seller to a Gains Tax



Figures 2 and 3 illustrate desirable results. In both cases the gains tax would deter speculators from demanding land, and with a downward shift in demand, land prices would decline or increase at a slower rate. Local residents would not be "priced out of the market," and land would not be subdivided or developed as rapidly.

II. THE VERMONT LAND MARKET: THE 1960's AND EARLY 1970's

Vermont has long been a haven for vacation homes.[5] The state is well known for its quaint villages, scenic vistas, and ski areas. During the 1960's, the Vermont land market "heated up" as demand grew and prices climbed. A study by Sinclair and Meyer found that the average price of land without buildings (also known as "raw land" or "bare land") jumped from $42.76 per acre in 1958-1960 to $239.12 in 1968, and that less than 30 percent of the latter sales were made to local residents.[6]

The reasons behind these changes were many. First, construction of the interstate highway system made the state more accessible to the sixty-five million people living within five hundred miles, especially in the New York and Boston metropolitan areas.[7] Gasoline prices were low and supplies, plentiful. As Healy and Short have noted, "Rural areas accessible to large population concentrations typically exhibit stronger increases in land prices, more parcellation, and a greater diversity of ownership types than do more remote areas."[8] Second, the popularity of skiing skyrocketed,[9] and advertising by resorts and the state government increased, drawing tourists to "The Beckoning Country." Healy and Short have commented that "unusually cheap recreational land in northern New England during the 1960's caused urban bidders to enter the market, paying more than local people could afford or were willing to pay."[10] Third, incomes grew during the prosperity of the 1960's and leisure time increased. Fourth, the ownership of Vermont property became a mark of status in the urban Northeast. Fifth, industry was attracted to Vermont because of the pleasant environment and good labor pool. And sixth, "urban flight" brought in people seeking to change their lifestyle from urban to rural.

From 1968 to 1972, the Vermont land market boomed. The number of transactions leaped between fiscal 1967-1968 and fiscal 1971-1972 (table 1).

Table 1

Vermont Real Estate Sales 1968-1972

Fiscal year	Dollar amount	% Change	Transfers
1967-1968	--	--	5,515
1968-1969	$230,638,000	--	17,074
1969-1970	206,431,000	-10	17,674
1970-1971	226,992,000	+10	16,630
1971-1972	332,312,000	+46	20,882

Source: Vermont Department of Taxes

Speculation was perceived as a major environmental and social problem even after the passage in 1970 of Act 250, Vermont's land use and development law. It soon became evident that Act 250 did little to discourage land speculation, because subdivision activity and development timing were more often dependent on profit potential than land-use controls. Speculators recognized the chance to buy cheap from local residents and sell dear to the growing number of vacation and residential land buyers.[11] While it was commonly assumed that Vermonters did not have the money necessary for speculation,[12] Sinclair and Meyer determined that they still accounted for almost half of all sample sales.[13]

III. THE VERMONT LAND GAINS TAX

In 1973 the Vermont legislature enacted a capital gains tax on sales of land held less than six years.[14] (For details of the tax legislation, see the appendix.) The tax applies to sales of both bare land and land supporting buildings. All buildings are exempt from the tax as are up to ten acres surrounding an owner's primary residence. The tax rates are based on length of ownership and size of profit and generally decline over time. For example, land sold within a year of purchase with a gain of over 200 percent is liable for a gains tax of 60 percent; land sold between five and six years of purchase with a gain of less than 100 percent is liable for a gains tax of only 5 percent.

The Vermont tax sought to reduce short-term land speculation, much of which was perceived caused by out-of-state interests, and to raise an estimated $3.5 million per year to fund the state property tax relief program. The two goals were contradictory: land turnover was needed to raise revenue, but land turnover was to be discouraged. Also, "in a slower economy, there are fewer land sales and collections decline more as the period of ownership lengthens."[15]

Gov. Thomas Salmon, who proposed the gains tax as a key part of his successful election bid in 1972, claimed that the tax existed "not so much to raise money, but to substantially slow down rapid subdivision growth in Vermont."[16] Hagman and Miscynski agree that the Vermont gains tax is "too oriented to controlling speculation to produce much revenue."[17] In sum, the tax was not aimed at reducing the gains of long-term landowners (who tended to be Vermonters) or at constricting the Vermont building industry, especially home building. The tax was expected to reduce vacation-related development and land-price competition promoted primarily by out-of-state interests.

IV. PERFORMANCE OF THE VERMONT GAINS TAX

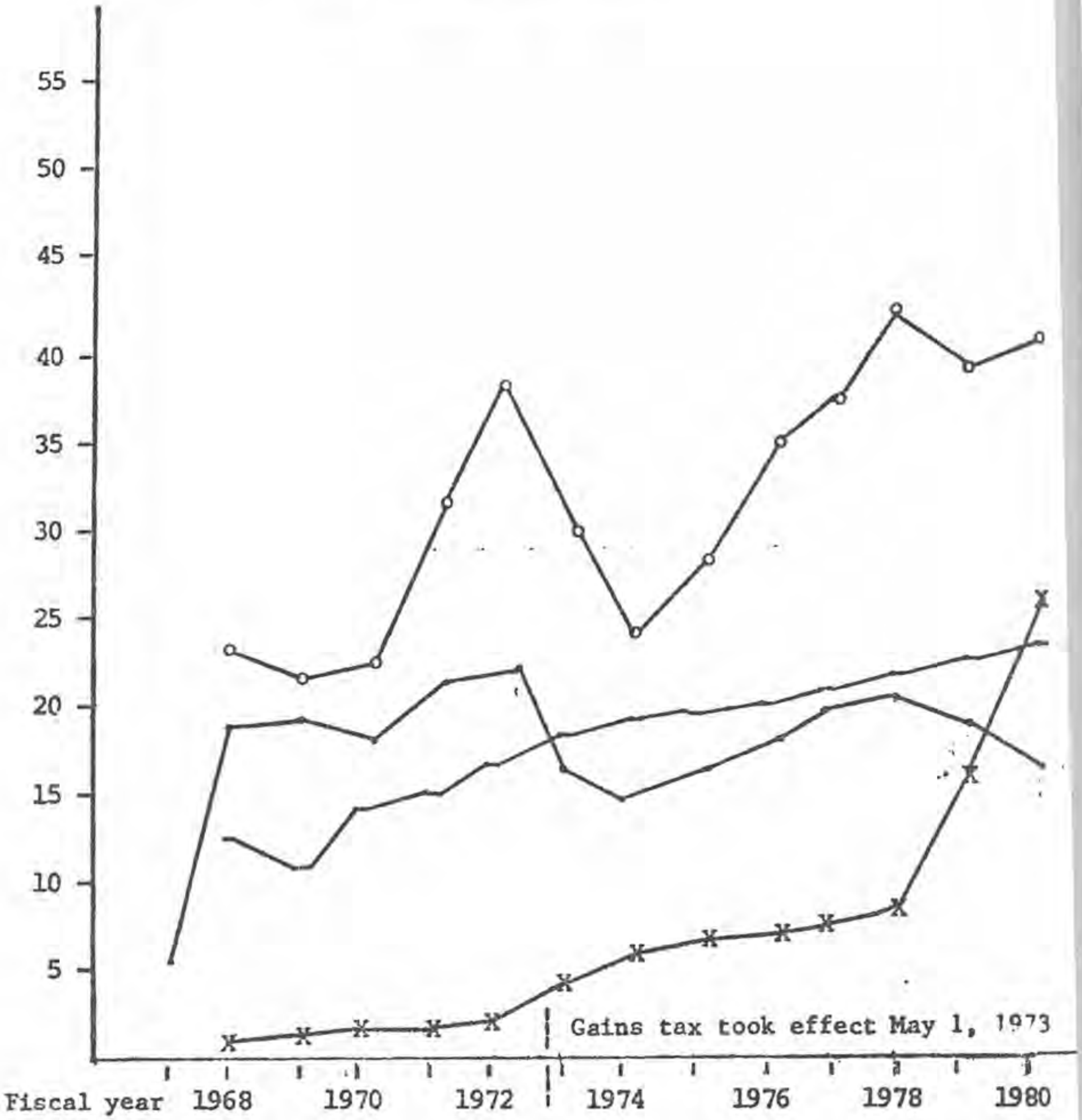
To evaluate the performance of the Vermont gains tax, I examined the overall impact of the tax on the Vermont land market and the extent to which the goals of the taxation have been met. A comparison of pre- and post-tax trends in land prices, parcellation, and absentee ownership provides insight into whether the gains tax has been able to slow the increase in land prices, the decrease in average parcel size, and the rise in absentee ownership. Although there may be other factors at work in the land market, such as gasoline prices and interest rates, I attempted to isolate the role of the gains tax. We can evaluate the goals of the gains tax by comparing (1) actual tax revenues to the $3.5 million a year it was expected to raise, and (2) indicators of construction activity before and after the start of the tax to determine whether the tax has adversely affected the construction industry in Vermont. The goal of reducing speculative activity and the number of land subdivisions is more difficult to assess. Pre-1973 informatio on the number of sales that occurred within six years of purchase and the number of new subdivisions is on record only at the individual town clerks' offices; this paper does not include these data because of the substantial time and expense required to retrieve them. Since 1973 the annual number of sales subject to the gains tax and the ratio of the sales to all land transactions offer an indication of whether speculative activity has been increasing or decreasing. The annual number of Health Department subdivision permits for new subdivisions of three to ten lots provide general data on the creation of new lots as do the number of Act 250 permits for ten or more lots. Still, it is not possible, except by expensive manual means, to discern which new lots were subject to the gains tax. Therefore, although the creation of new lots was of major concern in the adoption of the gains tax, it is difficult to determine the number of new lots which have been subject to the tax.

Vermont Land Market Data

Real estate sales data provide a general overview of Vermont land market activity between fiscal 1967 and fiscal 1980 (see figure 4). A useful starting point in gauging the effect of the gains tax on land market trends is a comparison of the pre- and post-tax trends in the volume of real estate sales, average price per sale, and total value of real estate sold.

Since the start of the gains tax, the annual volume of real estate sales has declined somewhat. Between fiscal 1972 and fiscal 1973, the volume of transactions decreased by 26 percent,[18] traceable to the gains tax, the Arab oil embargo, and the credit crunch of 1974 when borrowing rates topped 10 percent. The relative effects of each factor, however, are difficult to determine. While the gains tax took effect on May 1, 1973, the Arab oil embargo did not occur until November 1973, and the majority of real estate sales normally take place between April and November. Initial reports on the gains tax said that it induced sellers to hold land off the market and reduced speculative demands for land.[19] On the other hand, gasoline prices climbed 39 percent between July 1973 and July 1974, largely

Fig. 4. Vermont Real Estate Transactions
Fiscal Years 1967-1980



... = Number of real estate transactions (in thousands)
--- = Average price per transaction (in thousands of 1970 constant dollars)
ooo = Total value of real estate transactions (per ten million of 1970 constant dollars)
XXX = Composite index of interest rates and gasoline prices (1967 = 0)

Notes: All dollar figures are deflated by the consumer price index. The composite index of interest rates and gasoline prices is based on the contribution of gasoline prices to the consumer price index and the average between federal mortgage rates and the three-year treasury bill rate.

after the embargo.[20] Increased transportation costs may have discouraged some vacationers from seeking land in Vermont, but perhaps a more important factor was the lack of plentiful gasoline supplies both in the metropolitan areas and in Vermont. Without reliable fuel supplies, tourists were less likely to visit Vermont and purchase land. Finally, interest rates rose late in fiscal 1973, probably having more impact in fiscal 1974 when land market activity fell below 1973 levels.

Although the total value of transactions declined by 20 percent between fiscal 1972 and fiscal 1973, the 1973 value of transactions was only 3 percent below the 1971 level. Furthermore, the average price per transaction grew by 8.5 percent between fiscal 1972 and 1973, that is, although the volume of transactions fell, prices did not. The total value of sales in fiscal 1974 slid to a four-year low. But in fiscal 1975 total value climbed 26 percent and average price per transaction grew by 10 percent, while the number of transactions remained slightly below the fiscal 1973 level. By fiscal 1976 the total value of real estate sold surpassed even the fiscal 1972 mark.

Between mid-1973 and mid-1975, the initial impact of the gains tax is difficult to separate from the jump in gasoline prices, tighter gasoline supplies, and the hike in interest rates. Nonetheless, there was a reduction in the volume of real estate sales with average prices increasing at a slower rate than before 1973. In the four years before the start of the tax, the average price per transaction grew by 61 percent. Over the four years after the tax, the average price per transaction grew by only 29 percent, despite higher inflation rates. Also, the total value of real estate sold tended to remain below the 1972 level. Still, it is not possible to determine how much of the change in land market activity can be attributed to the gains tax or other influences. After interest rates fell in late 1975, however, real estate sales picked up to the end of the decade. Although the annual volume of transactions did not exceed the levels of 1971-1972, the total value of sales and average price per transaction increased considerably. These results suggest that the gains tax had little effect on the Vermont land market after 1975.

Land Market Activity in Sample Towns

An analysis of bare land sales in sample towns offers additional perspective on the rural Vermont land market before and after the start of the gains tax. First, I selected three kinds of sample towns: agricultural, residential, and vacation, as defined by dominant land use and leading economic activity (see figure 5). I then chose twenty-one towns according to geographic diversity and the degree of dominance of the town's major land use, avoiding towns with an even mix of land uses because land

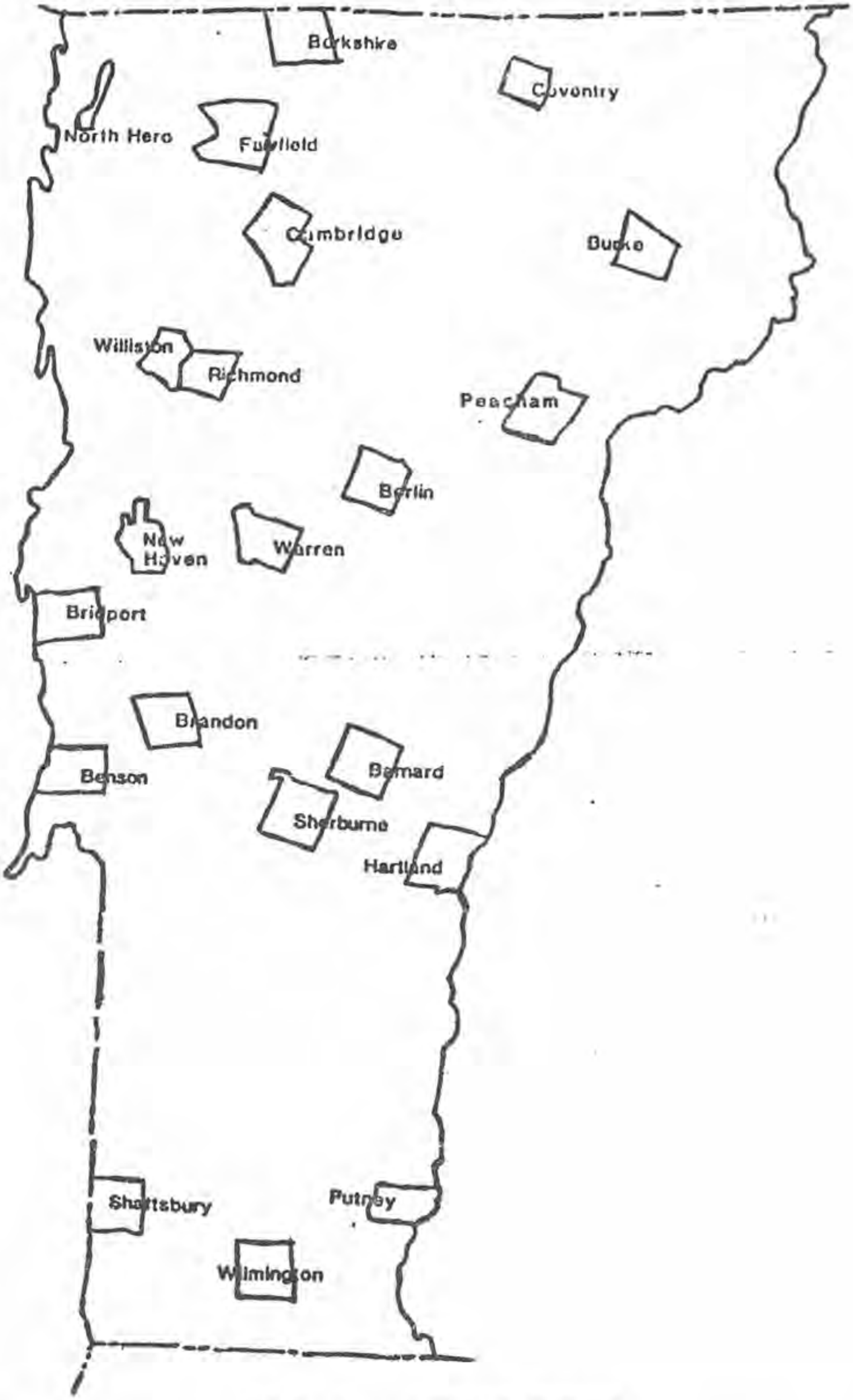


Fig. 5. Sample Towns

Agricultural towns:	Benson, Berkshire, Bridport, Coventry, Fairfield, New Haven;
Residential towns:	Berlin, Brandon, Hartland, Putney, Richmond, Shaftsbury, Williston;
Vacation towns:	Barnard, Burke, Cambridge, North Hero, Peacham, Sherburne, Warren, Wilmington.

prices within the town could be heavily influenced by bidding among competing land uses. For example, one would expect the price of farmland in a town with much residential land to be more expensive than in a town with comparatively little residential land.

I analyzed 6,200 bare land sales recorded on Vermont property transfer forms for the years 1968, 1971, 1972, and 1975 through July 1981. I omitted the years 1973 and 1974 because it was impossible to tell which sales were subject to the gains tax. Before 1968 each Vermont town maintained the only records of land transactions within the town. Because data on land sales were widely scattered, studies of the Vermont land market were time-consuming and expensive. With the passage in 1968 of a property transfer tax (equal to one-half percent of the sale price), the State of Vermont required all real estate transactions to be recorded at the Vermont Department of Taxes in Montpelier, and locally, in the office of the town clerk. Buyers and sellers must fill out property transfer forms listing information on sale price, proposed use, parcel size, buildings (if any), residence of buyer and seller, and after 1974, whether the sale is subject to the Vermont capital gains tax. The Tax Department maintains the transfer forms on file for about ten years, after which it discards them.* Sellers subject to the land gains tax must also file a land gains tax return with the Vermont Department of Taxes. However, since the Tax Department considers the data on individual transactions to be strictly confidential, the only public source of information on individual sales subject to the gains tax is the property transfer form. Even so, figures on individual rates of gain and taxes paid are not available, making it virtually impossible to tell if the gains tax is significantly reducing speculative profits.

Table 2 presents data on the annual acres sold, the mean real price (corrected for inflation), and the average parcel sizes sold in the three town categories. Since the start of the tax, the annual acreage sold has declined overall, particularly in agricultural and vacation towns. But the gains tax alone has not been able to halt the increase in real land prices. This result is not surprising since the overwhelming demand for rural land has been for residential and vacation uses. The gains tax also has been largely unable to halt the trend of smaller average parcel sizes sold, particularly in agricultural and vacation towns.

*The information on the transfer form has yet to be systematically organized or computerized. Such organization would greatly facilitate analyses of land price trends, ownership patterns, and land use changes throughout the state.

Table 2

Land Market Activity in Sample Towns, 1968-1980

Towns	Year	Total acres sold	Total value	Mean real price per acre	Average parcel s (in acre
Agricultural	1968	--	--	--	--
	1971	12,441	$2.76m	$222	84
	1972	10,358	$3.24m	$313	64
	1973	8,945	$2.38m	$266	86
	1974	4,904	$2.01m	$410	64
	1975	6,545	$2.35m	$358	58
	1976	3,490	$1.42m	$407	45
	1977	4,200	$2.23m	$532	45
	1978	6,378	$3.08m	$483	69
	1979	6,239	$3.07m	$492	52
	1980	5,021	$2.65	$527	58
Residential	1968	1,380	$ .41m	$293	15.
	1971	5,131	$2.34m	$456	21.
	1972	3,935	$2.17m	$552	19.
	1973	4,189	$2.37m	$565	22.
	1974	3,230	$2.19m	$678	20.
	1975	4,713	$2.55m	$541	23.
	1976	1,905	$1.67m	$874	10.
	1977	4,445	$4.26m	$956	14.
	1978	6,002	$4.33m	$722	25.
	1979	4,243	$3.95m	$931	17.
	1980	2,890	$2.66m	$921	14.
Vacation	1968	3,969	$1.39m	$351	20
	1971	5,064	$3.06m	$604	17.
	1972	6,394	$4.08m	$639	20.
	1973	5,046	$2.99m	$592	22.
	1974	2,632	$2.11m	$801	15.
	1975	3,987	$3.27m	$821	14.
	1976	2,103	$2.41m	$1148	8.
	1977	3,420	$2.77m	$809	17.
	1978	3,985	$6.28m	$1575	15.
	1979	3,995	$5.61m	$1405	13.
	1980	4,484	$5.40m	$1204	18.

Note: This table includes all bare land sales in a town and is not restricted to sales of one particular land use.

Table 3 presents a summary of pre- and post-tax trends. Statistical tests using the analysis of variance method found significant differences between pre- and post-tax prices per acre in all towns, significant declines in annual acreage sold in vacation and agricultural towns, and significant reductions in average parcel size sold in agricultural and vacation towns.

Table 3

Summary of Pre- and Post-Tax Trends in Sample Towns

Town	Mean real price per acre	Mean annual acres sold	Mean parcel size (in acres)
Agricultural			
Pre-tax (1971-1972)	$263	11,399	73.5
Post-tax (1974-1980)	$456	5,254	55.7
Residential			
Pre-tax (1968, 1971-1972)	$471	3,482	19.8
Post-tax (1974-1980)	$690	3,919	18.1
Vacation			
Pre-tax (1968, 1971-1972)	$553	5,142	19.1
Post-tax (1974-1980)	$1131	3,515	14.6

Land sales information on the three major <u>land uses</u> (agricultural, residential, and vacation) is analyzed according to: (1) the kind of town (i.e., agricultural land in agricultural towns, residential land in residential towns, and vacation land in vacation towns), and (2) four categories: (a) pre-tax sales, (b) post-tax sales, (c) taxable sales, and (d) nontaxable sales in the post-tax era (see table 4).

Table 4

Real Average Price per Acre by Land Use and by Category of Sale

Land use	Pre-tax	Post-tax	Taxable	Nontaxable
Agricultural	$ 280	$ 371	$ 471	$ 340
Residential	2,183	3,404	6,022	2,658
Vacation	4,325	5,782	5,659	5,847

For all three land uses, post-tax prices were greater than pre-tax prices, again suggesting that the gains tax has not led to lower prices. Agricultural and residential land sales subject to the tax sold for notably higher per acre prices than nontaxable sales. This fact raises the likelihood that sellers of land subject to the gains tax were able to pass along the cost of the tax to buyers. Vacation land not subject to the tax had a greater average price per acre than taxable sales. This suggests two interpretations: (1) sellers of taxable vacation land bore the burden of the gains tax, or (2) sellers of nontaxable land were able to raise prices above taxable levels and earn windfall profits.

A potential source of differences in land prices is the quality of land sold. The data presented in table 5 indicate that there was no significant difference in average parcel size sold among the four categories. In addition, the distribution of sales among different parcel sizes remained fairly constant. Thus, differences in price do not appear to have been much affected by observable differences in land quality. However, other qualitative factors such as location and access to services may have influenced prices.

Because taxable sellers have owned their land for a shorter period than nontaxable sellers, the former have generally paid a higher price per acre in purchasing land more recently while the latter have borne greater holding costs in terms of property taxes and amortization. It is, therefore, reasonable to assume that higher initial costs and larger holding costs generally offset each other so that both kinds of sellers are seeking a similar price in the market. Again, the higher agricultural and residential taxable prices imply some qualitative differences, but the magnitude of the differences in price implies that taxable sellers were more successful in selling their land. The similarity of taxable and nontaxable prices for vacation land points to little difference.

Table 5

Mean Parcel Sizes and Distribution of Parcel Sizes by Category of Sale

Land use		Mean acres	Percentage of all sales
Agricultural			
Pre-tax	75+ ac	243	60
Post-tax	75+ ac	247	58
Taxable	75+ ac	230	64
Nontaxable	75+ ac	251	56
Residential			
Pre-tax			
Less than 3 ac		1.3	63
3-10 ac		5.3	23
10-20 ac		13.7	9
20-50 ac		29.3	5
Post-tax			
Less than 3 ac		1.5	45
3-10 ac		5.1	22
10-20 ac		12.1	26
20-50 ac		31.1	7
Taxable			
Less than 3 ac		1.5	51
3-10 ac		4.9	16
10-20 ac		12.3	27
20-50 ac		31.3	6
Nontaxable			
Less than 3 ac		1.6	43
3-10 ac		5.3	24
10-20 ac		12.3	25
20-50 ac		26.6	8
Vacation			
Pre-tax			
Less than 3 ac		1.3	68
3-10 ac		4.9	18
10-20 ac		12.3	10
20-50 ac		31.3	4
Post-tax			
Less than 3 ac		1.2	61
3-10 ac		5.5	16
10-20 ac		12.7	15
20-50 ac		28.6	7
Taxable			
Less than 3 ac		1.2	56
3-10 ac		5.4	18
10-20 ac		12.6	17
20-50 ac		26.5	8
Nontaxable			
Less than 3 ac		1.2	63
3-10 ac		5.6	15
10-20 ac		12.7	16
20-50 ac		34.2	6

Note: Analysis of variance tests were not significant in determining differences between pre- and post-tax means or between taxable and nontaxable means.

If we analyze sales of a particular land use in the towns in which that land use is dominant (e.g., residential land in residential towns), we see a different picture than if we looked at all land sales in a town (table 2). The average acreage of residential land sold annually in residential towns increased by almost 200 percent in the post-tax era and real price per acre rose an average of 56 percent, suggesting that the demand for residential land in residential towns has increased substantially since the start of the gains tax.

In vacation towns, an annual average of 13 percent more acres of vacation land were sold after the tax than before. Given the 30 percent rise in average real land prices, these results imply an increase in the demand for vacation land relative to supply.

For agricultural land in agricultural towns, the annual average of acreage sold declined by 29 percent. Meanwhile, real agricultural land prices increased by 32 percent. Together, these figures point to a reduction in the amount of farmland supplies on the market relative to demand.

The changes in annual acres sold of different land uses in the respective towns can be interpreted as a greater specialization of land markets according to a town's dominant economic activity. That is, since the start of the gains tax, relatively less land for vacation use has been purchased in residential and agricultural towns; less agricultural land, purchased in vacation and residential towns; and less residential land, purchased in vacation and agricultural towns. This trend implies a greater homogeneity of land uses within each of the three kinds of rural towns. Such a trend bodes well for farmers seeking to expand operations in agricultural towns but indicates stiff competition for land in residential and vacation towns.

Residence of Buyer and Seller

This section identifies changes in the purchase of land by absentee and local owners and examines the popular perception that the majority of land speculation has been caused by out-of-state sellers.

Residence of Buyer.. Table 6 presents data on the distribution of land purchased according to land use and residence of buyer: local Vermonters, Vermonters who buy land in towns in which they do not live (non-resident Vermonters), and out-of-state residents.

Table 6

Residence of Buyer among Sample Sales

Type of land sold 1968 1971-1972	Local Vermonters	Non-Resident Vermonters	Out-of-staters	Total
Agricultural	59 (53%)	43 (39%)	8 (8%)	110 (7%)
Residential	339 (56%)	259 (43%)	6 (1%)	604 (37%)
Vacation	50 (6%)	148 (17%)	696 (77%)	894 (56%)
Total	448 (28%)	450 (28%)	710 (44%)	1608
Not subject to the gains tax 1975-1980				
Agricultural	77 (58%)	54 (40%)	2 (1%)	133 (5%)
Residential	438 (33%)	764 (58%)	22 (1%)	1224 (48%)
Vacation	66 (6%)	206 (17%)	928 (77%)	1200 (47%)
Total	581 (23%)	1024 (40%)	952 (37%)	2557
Subject to the gains tax 1975-1980				
Agricultural	26 (40%)	37 (57%)	2 (3%)	65 (6%)
Residential	160 (40%)	226 (58%)	6 (2%)	392 (38%)
Vacation	46 (8%)	92 (15%)	454 (77%)	592 (56%)
Total	232 (22%)	355 (34%)	462 (44%)	1049
All land sales 1975-1980				
Agricultural	103 (52%)	91 (46%)	4 (2%)	198 (5%)
Residential	598 (37%)	990 (61%)	28 (2%)	1616 (45%)
Vacation	112 (6%)	298 (17%)	1382 (77%)	1792 (50%)
Total	813 (23%)	1379 (38%)	1414 (39%)	3606

Buyer trends worth noting are as follows: (1) there is a decrease in the percentage of purchases made by out-of-staters after the start of the gains tax; (2) the leading percentage of taxable purchases is attributable to out-of-state purchases of vacation land; (3) there is an increase in activity by non-resident Vermonters, especially in the purchase of residential land; (4) there is a relative decline in purchases by locals; and (5) the overall trend toward absentee ownership has not been much affected. It is apparent that out-of-state buyers were willing and able to buy land that was subject to the gains tax. Non-resident Vermont buyers also showed a strong willingness to pay for taxable land. These two groups of buyers are generally more affluent than local buyers.*

Residence of Seller. Seller statistics shed light onto who was responsible for which land sales, especially for those sales subject to the gains tax (table 7).

*Vacation property is a luxury. Out-of-state and non-local Vermont buyers tend to buy more vacation land than local buyers, suggesting that the former two groups have greater disposable income.

Table 7

Residence of Seller among Sample Sales

Type of land sold 1968 1971-1972	Local Vermonters	Non-Resident Vermonters	Out-of-staters	Total
Agricultural	65 (60%)	38 (35%)	7 (5%)	110 (7%)
Residential	365 (61%)	169 (28%)	70 (11%)	604 (37%)
Vacation	357 (40%)	289 (32%)	248 (28%)	894 (56%)
Total	787 (49%)	496 (31%)	325 (20%)	1608
Not subject to the gains tax 1975-1980				
Agricultural	77 (60%)	50 (35%)	6 (5%)	133 (5%)
Residential	557 (47%)	449 (38%)	172 (15%)	1178 (48%)
Vacation	346 (27%)	485 (40%)	420 (33%)	1251 (47%)
Total	980 (38%)	984 (38%)	598 (24%)	2562
Subject to the gains tax 1975-1980				
Agricultural	28 (43%)	35 (54%)	2 (3%)	65 (6%)
Residential	174 (41%)	173 (40%)	45 (19%)	392 (37%)
Vacation	92 (17%)	207 (42%)	293 (41%)	592 (57%)
Total	294 (28%)	415 (40%)	340 (32%)	1049
All land sales 1975-1980				
Agricultural	105 (54%)	85 (41%)	8 (5%)	198 (5%)
Residential	731 (45%)	622 (39%)	263 (16%)	1616 (45%)
Vacation	438 (25%)	692 (38%)	662 (37%)	1792 (50%)
Total	1274 (35%)	1399 (39%)	933 (26%)	3606

After the start of the gains tax, non-local Vermonters replaced local residents as the most frequent sellers of raw land. Moreover, non-local Vermonters comprised the largest category of sellers subject to the gains tax, 40 percent. The charge that out-of-state residents were most often responsible for speculation was rendered debatable by the activity of Vermont sellers. Still, out-of-state sellers comprised 26 percent of the market after 1974, an increase of 6 percent over the pre-1973 period. _On average_, out-of-state residents were the group most likely to sell land within six years of purchase with 36 percent of all out-of-state sellers being subject to the gains tax as compared to 30 percent of all non-local Vermont sellers and 23 percent of all local sellers.

Before and after the gains tax, out-of-state sellers operated mostly in the vacation land market, local sellers tended to sell residential land, and non-local Vermonters were about evenly active in residential and vacation land markets. After the start of the gains tax, non-local Vermonters became more active in the agricultural land market, particularly for parcels subject to the tax. Overall, vacation land comprised the majority of land sales with residential land increasing after the start of the gains tax. Agricultural land sales maintained a rather constant percentage (5 to

7 percent).

An Overview of Vermont Gains Tax Returns

Aggregate data from the Vermont gains tax returns provide insight into the gains tax as a source of revenue and the impact of the tax on the Vermont land market (see table 8).

Table 8

Gains Tax Returns and Revenue, Fiscal 1973-1980

Fiscal year	Number of taxable returns	Percentage of all real estate transactions	Revenue (in millions)	Taxes foregone by exemptions[a] (in millions)
1973	3,569	23	$1.3	$.138
1974	2,043	15	$ .82	$.215
1975	2,050	13	$ .86	$.206
1976	1,949	12	$ .66	$.457
1977[b]	2,048	10	$ .71	--
1978[b]	--	--	$ .89	--
1979[b]	--	--	$ .91	--
1980[b]	--	--	$1.25	--

Source: Vermont Department of Taxes

[a]Taxes foregone are computed from the gains and tax rates attributed to exempt properties. Gains tax returns are required of all sales of land held less than six years. For a definition of exempt properties, see the appendix.

[b]After fiscal 1977, funds for statistical monitoring of land gains returns were discontinued.

The three most noteworthy trends are: (1) the number of taxable returns dropped sharply between fiscal 1973 and 1974, then remained fairly constant through fiscal 1977; (2) revenue from the tax never came close to its projected take of $3.5 million each year; and (3) as a percentage of all real estate sales per year, taxable sales fell from 23 percent in fiscal 1973 to 10 percent in fiscal 1977. This decline in the relative frequency of taxable sales suggests two interpretations. First, the tax has affected less of the land market over time and thus has had a diminished influence on price and parcellation over time. Second, it is possible that many sellers waited more than six years to sell in order to completely avoid the tax.

The lack of statistical monitoring since fiscal 1977 is a cause for concern. Without monitoring, an aggregate analysis of the gains tax is almost impossible. Since mid-1978 there have been no public data on (1) the volume of speculative sales--is it increasing or decreasing significantly over time? (2) the ratio of speculative sales to total real estate transactions--is the relative frequency of speculation changing over time? and (3) the amount of public revenue lost through exemptions--are the exemptions too generous? It is very difficult to answer these questions and to determine the general effectiveness of the gains tax without adequate information from the Tax Department.

Subdivision Activity

According to Gov. Thomas Salmon, the main purpose of the land gains tax was to slow down the rate of land subdivision. The subdivision of land into new lots may be undesirable for several reasons: (1) smaller lots portend a move away from extensive land uses, such as farming and forestry, to more intensive land uses, such as residential and vacation home sites; (2) intensive land uses tend to demand more public services which in turn increase local property taxes; (3) intensive land uses tend to reduce environmental quality such as open space and water quality; and (4) subdivision activity by one landowner may lead neighboring landowners to subdivide their land, thus driving up land prices and hastening the pace of development.

Information on the creation of new lots before the start of the gains tax is available only at the town level and is not included in this paper. Healy and Rosenberg made some estimates of new lots subject to Act 250,[21] but in general, we really do not know the extent of subdivision activity prior to 1973. The principal source of information on subdivision activity since 1973 is the Health Department subdivision permits (see table 9). These permits require sewage site pit tests to be performed on lots of less than ten acres during the creation of three to ten such lots.

Table 9

Subdivision Activity, 1970-1981

Year	Est. no. of Act 250 subdivision permits approved (10 or more lots of less than 10 acres ea.)[a]	Health Department subdivision permits approved
1970	30	--
1971	77	--
1972	87	--
1973	73	--
1974	54	--
1975	49	828
1976	54	740
1977	54	927
1978	58	771
1979	60	622
1980	42	541
1981	42	606

Source: Environmental Board of Vermont

[a]These estimates are based on Healy and Rosenberg's estimate of a ratio of 5 to 1 (Act 250 development permits to subdivision permits) as suggested by the Agency of Environmental Conservation (Robert Healy and John Rosenberg, Land Use and the States, 2d ed. [Baltimore: Johns Hopkins University Press for Resources for the Future, 1979]).

The Health Department permits and the estimates of the Act 250 subdivision permits provide only a general gauge of the number of new subdivisions. Based on the estimates of Act 250 subdivision permits, the number of new large subdivisions has fallen since 1973. But from 1975 to 1981 the Health Department permits do not reveal a definite trend, though the number of permits issued fell notably after 1977.

Records of certain subdivisions exist at the town level. These include: (a) the creation of two lots from one original parcel, (b) the creation of up to ten lots of greater than ten acres each, and (c) until March 1984 the creation of ten or more lots of greater than ten acres each. Each category is exempt from the Health Department permit review system. Case c was also exempt from Act 250 until a law passed in March 1984 required that these large lot subdivisions be subject to Act 250 review.

Because the data base for subdivision activity has remained fragmented, information has yet to be published on the number of new lots created each year, and the number of subdivision permits and new lots attributable to speculators. Such information is crucial in determining if speculators are a major cause of subdivision activity, or if subdividers are primarily those who have owned their land for over six years and thus are unaffected by the gains tax.

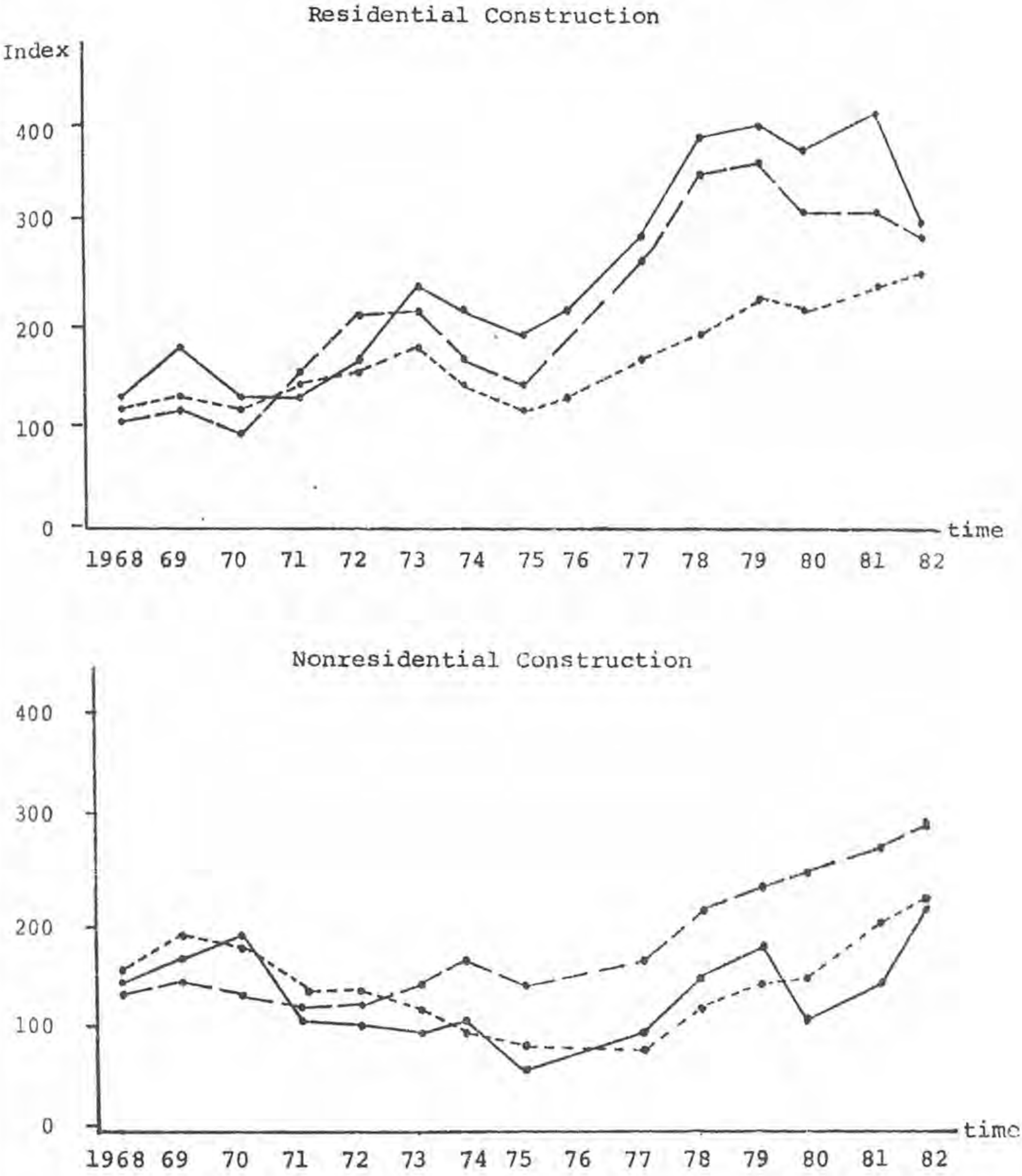
Construction Indicators

In discussing the origins of the Vermont gains tax, I noted that the tax does not fall on buildings and as such is not aimed at constricting the building industry in Vermont. Two indicators are available to test whether this intention has been violated. If the building industry in Vermont performed less well than the building industries in New England

and the U.S. as a whole after the tax than before, then an inference might be made that the gains tax contributed to the downturn in construction. If construction activity in Vermont picked up in the post-tax era relative to New England and the U.S., then one might infer that the tax had little effect on construction.

Two construction indicators on residential and nonresidential construction are available from U.S. government figures (figure 6). Noteworthy trends include: (1) the index of nonresidential (i.e., commercial and industrial) construction in Vermont tends to be below the New England average and is always below the U.S. average; and (2) the index of residential construction in Vermont is greater than the New England index for all years except 1971, and is greater than the U.S. index for all years except 1971 and 1972. After the imposition of the gains tax in 1973, the Vermont index of residential construction consistently exceeds the New England and U.S. indices. Thus, it appears that the gains tax had relatively little impact on the construction industry, particularly for residential construction.

Fig. 6. Construction Indicators 1968-1982
(Based on value of building contracts) 1967 = 100



——————— = Vermont
---------- = New England
— — — = U.S.

Source: Federal Reserve Bank of Boston.

Condominium Sales

Another indication of the impact (or lack of impact) of the gains tax can be seen in the market for condominiums at ski areas in sample towns. Nearly all of the condominiums at ski areas in sample towns sold between 1975 and 1980 were subject to the gains tax. However, in determining how much of the gain to allocate between the land portion of the condominium and the building portion, an administrative rule was adopted by the Land Gains Tax Division of the Vermont Department of Taxes. whereby only 8 percent of the gain was attributed to land. Although the gains tax was not aimed specifically at curbing the market for condominiums, vacation land, unlike certain residential land, was not exempt from the tax. By arbitrarily ascribing a small percentage of total condominium value to the land portion, however, this ruling has hardly discouraged the speculative building and sale of condominiums. Thus, subdivision activity has not been curbed even though this was pointed out to be a major goal of the tax.

In addition, the arbitrary 8 percent ruling has undoubtedly cost the state in foregone tax revenue. This loss of revenue is significant, given the number of taxable condominium sales and given the fact that annual tax revenues have fallen well short of the projected take of \$3.5 million per year. For example, if a condominium were sold within the sixth year of purchase or construction for a gain of $20,000, then only $1,600 of that gain would be attributed to land. Depending on the length of ownership and rate of profit, the maximum liability would be 60 percent of $1,600, or $960 on a gain of $20,000, for an effective rate of 4 percent. Taking the average tax rate of 17 percent, the liability on $1,600 would be $272 for an overall effective rate of 1.4 percent, hardly a deterrent to speculation.

The records of condominium sales show that it was common for sellers to earn profits in excess of 100 percent over an average holding period of two to three years. That condominiums have been lightly taxed relative to land has created an incentive to invest in them rather than in raw land. Moreover, the arbitrary 8 percent ruling on taxing condominiums cannot be justified, because real estate value is derived from its location as well as its use-capacity. Simply put, if a condominium is built upon land situated near a ski resort, then the land value should reflect that special amenity and an urban-type use. Given that twenty-eight Vermont towns are located in or near ski areas, a significant amount of revenue might be earned by the gains tax from the sale of condominiums at ski areas if the ruling were adjusted.

Table 10

Condominium Sales at Selected Ski Areas 1975-1980

Town	Year	Number of Sales	Average Price
Sherburne	1975	27	$42,185
Warren	1975	58	$44,620
Wilmington	1975	11	$40,363
Sherburne	1976	38	$46,631
Sherburne	1977	32	$53,156
Warren	1977	43	$50,720
Wilmington	1977	17	$44,647
Sherburne	1978	40	$65,100
Warren	1978	100	$58,600
Wilmington	1978	20	$44,050
Sherburne	1979	40	$62,500
Warren	1979	140	$67,000
Wilmington	1979	27	$41,000
Sherburne	1980	30	$76,724
Warren	1980	136	$72,480
Wilmington	1980	24	$60,546
Total		783	$59,287

V. CONCLUSIONS AND POLICY RECOMMENDATIONS

Summary of Findings

Using the ability to tax in order to influence land market activity has been employed in several countries and represents a shift away from the exercise of direct government control to regulate land use. Gains taxes influence a seller's timing of land sales and the profit calculations of prospective buyers; however, gains taxes do not <u>force</u> action. Moreover, because these taxes do not take into account the location or intensity of development activity, they are likely to be less effective as a land-use control than site-specific plans. The Vermont gains tax is a short-term measure aimed at a segment of land sellers. The Vermont tax, however, does not stand by itself. Rather, to some degree, it complements the development permit process of Act 250, the state's land-use and development law.[22]

The Vermont tax was intended to slow down land subdivision activity and was expected to raise an estimated $3.5 million annually. The annual volume of acres sold noticeably declined after the start of the tax. How much of the change could be attributed to the gains tax as opposed to interest rate increases or gasoline shortages is not possible to say. As a source of revenue, the gains tax has consistently fallen far short of its expected take, averaging less than $1 million a year.

The gains tax was largely unable to halt the trends in rural land markets identified by Healy and Short. The gains tax appears to have been able to reduce the overall demand for land sufficiently to retard or reduce the growth in long-run real land prices. This result is not surprising when the overwhelming demand for rural land has been for prospective intensive uses (residential and vacation).

The average parcel sizes sold have tended to decline, suggesting that more land is being sold in smaller parcels. But there is a lack of conclusive evidence as to whether land subdivision activity has increased or decreased since 1973. Information on the number of subdivisions and new lots is scattered among the Act 250 subdivision permits, Health Department subdivision permits, and local town records. Until this information is organized in one location, it will be difficult to determine the degree of speculative activity in the creation of new lots.

The trend toward absentee ownership of rural land has continued as shown by the drop in local buyer activity. Non-local Vermonters increased in the percentages of all buyers and sellers. Out-of-state buyers reduced their percentage of total purchases, but out-of-state sellers increased their share of sales.

The expectation that a gains tax would lead to lower prices seems rather unrealistic. Gains taxes, unless set at very high rates, are likely to be ineffective in holding down escalating land prices when demand is increasing and represents a desire for more intensive land uses. The mostly higher per-acre prices of taxable over nontaxable sales suggests that some land quality differences may exist between taxable and non-taxable parcels and/or that taxable sellers were more aggressive and successful in marketing their land. Generally, taxable sellers appear to have been able to pass along the cost of the tax to buyers,[23] although data on sellers' profits are not available. As long as land prices continue to rise from a combination of parcellation, greater demand, and inflation, the Vermont gains tax will only temporarily postpone, rather than restrict, speculation in real estate.

Policy Recommendations

Policy recommendations depend upon the goals of the gains tax. The Vermont tax has failed to meet its projected revenue estimates and the amount of land subdivision activity appears to be a continuing cause for concern. To increase revenue, the following adjustments could be made:

1. Change the administrative rule allocating only 8 percent of the gain from condominium sales to the land element. A figure of 15-20 percent would tend to double revenues from condominium sales.

2. Extend the length of the liability period. Governor Salmon originally proposed that the gains tax apply to land held less than ten years.

3. Raise tax rates. However, higher rates might further discourage land turnover and produce even less revenue.

To control subdivision activity, policy recommendations 2 and 3 could be adopted, i.e., the profitability of subdivision activity would be reduced. But as Healy and

Short argue, "In the land markets we studied, the principal land use problems (such as) parcellation, had little to do with the length of time land was held. Many of those subdividing land had held it for several years."[24] If reducing subdivision is the primary goal, then the gains tax could be restructured to apply solely to land divisions, regardless of the length of ownership.

Finally, funding could be restored to monitor land sales subject to the gains tax and additional funding granted for the organization of property transfer records. In this way, the impact of the gains tax on land markets could be better understood and evaluated. Also, there is a need for comparative land-sales and land-use studies with other states such as New Hampshire and Maine. This would help isolate such factors as interest rates and gasoline shortages and provide a clearer picture of the impact of the gains tax.

Concluding Note

A major accomplishment of the gains tax as a land-use control may not be quantifiable in that a number of speculators, particularly large out-of-state interests, may have been discouraged from operating in Vermont in favor of less regulated land markets.[25] Perhaps the best indicator of the desirability of the tax is that it has not been repealed eleven years after its inception.

At present a boom in rural land is unlikely, given high interest rates. But with populations growing and open land becoming more scarce (especially in the densely settled Northeast) and with rising congestion in urban areas, the demand for rural land is likely to increase in the long run.[26]

APPENDIX

Vermont Land Gains Tax Rates

Years land held by transferor	Increase in value (%)		
	0-99	100-199 Tax rates in %	200 or more
Less than one year	30	45	60
One year but less than two	25	37.5	50
Two years but less than three	20	30	40
Three years but less than four	15	22.5	30
Four years but less than five	10	15	20
Five years but less than six	5	7.5	10

Provisions of the tax are as follows:

1. Only gains attributed to land are taxable. Gains attributed to buildings are exempt.[a]
2. Land sold for a primary dwelling including up to ten acres is exempt from the tax.[b] This exemption also applies for people who certify that they will build a primary residence within two years of purchasing the land.
3. Transfers in which no gain is realized such as straw transfers and rights of way are exempt.
4. Long-term landowners (i.e., more than six years) are exempt.
5. The gains tax is not deductible for federal income tax purposes.[c]

Continued on next page

[a]The separation of the total increased value contributed by land and by buildings leaves room for arbitrariness and negotiation. The Vermont Tax Department has published guidelines to determine how much gain to attribute to the land element based on land location, type of land, and size of gain.

[b]The 1973 version exempted a primary dwelling and up to one acre. This was changed to ten acres in 1976.

[c]The Vermont Capital Gains Tax is considered "a selective transfer tax" under IRS Code section 164 (a) subsection 3. Also, there is no offset for real estate losses, unlike the federal capital gains tax.

APPENDIX--Continued

6. Within thirty days of transfer, the buyer of a taxable property must send 10 percent of the sale price to the Vermont Department of Taxes; the seller must then pay the remaining balance due or file for a refund.

7. Penalties for noncompliance are severe: The tax is considered a personal debt and constitutes a lien in favor of the state upon all property belonging to the person liable for the tax. The statutes mandate imprisonment and fines for anyone who seeks to defeat or evade the tax.[d] Loopholes, such as long-term leases, deducting marketing costs from the sale price, and joint partnership with a long-term landholder, are not allowed and are detectable from Vermont property transfer forms or Vermont capital gains tax returns.[e]

8. In upholding the constitutionality of the capital gains tax, the Vermont Supreme Court found that "the tax places a burden on short-term ownership and on high profits in the resale of lands, two attributes of property closely linked to the holding of land for speculative purposes."[f] In other words, the state government is under no obligation to guarantee a private landowner's capital gain.

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[d]32 V.S.A. sec. 100010 states: "Any person who willfully defeats or evades or attempts to defeat or evade the tax imposed by this chapter shall be imprisoned not more than one year or fined more than $10,000 or five times the amount of the tax, whichever is larger, or may be both thus imprisoned and fined."

[e]Transfer costs such as legal fees and real estate commissions are deductible from the gain; advertising and promotion costs are not.

[f]132 Vt. 256, 315 A.2d 860 (194) Andrews v. Lathrop.

NOTES

1. In their study of the gains tax, Baker and Anderson relied on questionnaires filled out by a sample of sellers who paid the tax in the early years of its existence when there was considerable uncertainty about the tax. Their results were not based on a statistical analysis of land price data. See R. L. Baker and S. Anderson, Taxing Speculative Land Gains: The Vermont Experience (Washington, D.C.: Environmental Law Institute, 1981).

2. R. Healy and J. Short, "New Forces in the Market for Rural Land," Appraisal Journal 46, no. 2 (1979):185-99.

3. Bruce Lindeman, "The Anatomy of Land Speculation," Journal of the American Institute of Planners, April 1976:142-52.

4. See Donald G. Hagman, and Dean J. Miscynski, eds., Windfalls for Wipeouts (Chicago: American Society of Planning Officials, 1978), 441-59.

5. Robert O. Sinclair and Stephen Meyer, "Non-resident Ownership of Property in Vermont," University of Vermont Experiment Station Bulletin, no. 672 (Burlington, 1972), 1. In 1978, out-of-state residents owned 11.4 percent of all Vermont land. This figure, the second highest in New England, is greater than both the Northeast average (6.1 percent) and the national average (7.9 percent). See G. C. Gustafson, "Who Owns the Land? A State and Regional Summary of Landownership in the United States, 1978," prepared for the Economics and Statistics Service of the U.S. Department of Agriculture (draft, 1981), 39.

6. Sinclair and Meyer, "Non-resident Ownership," 1.

7. Federal Highway Administration Highway Statistics 1981 (Washington, D.C.: U.S. Department of Transportation); and Burlington Free Press, January 21, 1974. Vermont has the highest measure of interstate highway miles per capita of all the northeastern states.

8. R. Healy and J. Short, The Market for Rural Land (Washington, D.C.: Conservation Foundation, 1981), 125.

9. Sinclair and Meyer, "Non-resident Ownership," 2.

10. Healy and Short, The Market for Rural Land, 102.

11. Ibid., 46. Healy and Short report that nationwide 1969 and 1973 were peak years for sales of unimproved rural lots and single family detached vacation homes.

12. In a recent study of speculation on the urban fringe, most speculators were found to have incomes between \$50,000 and \$250,000. See H. James Brown et al., "Land Markets at the Urban Fringe," American Planning Association Journal, April 1981:131-44.

13. Sinclair and Meyer, "Non-resident Ownership," 6-8.

14. See Vermont Statutes Annotated, vol. 32, sec. 100001-10, 1973 (rev. May 1976) (hereafter cited as V.S.A.).

15. R. Healy and J. Rosenberg, Land Use and the States, 2d ed. (Baltimore: Johns Hopkins University Press, 1979).

16. Quoted in R. L. Baker, "Controlling Land Use and Prices by Using Special Gains Taxation to Intervene in the Land Market: The Vermont Experience," Environmental Affairs 4 (Boston College) (Summer 1975):431.

17. Hagman and Miscynski, Windfalls for Wipeouts, 485. The Vermont gains tax has brought in consistently less each year than the original estimate of \$3.5 million.

18. Fifty-seven million dollars in real estate changed hands in the month just prior to the start of the gains tax in fiscal 1972.

19. Vermont Natural Resources Council, Vermont Environmental Report (Montpelier: Vermont Natural Resources Council, September 1973), 1.

20. Federal Reserve Bank of Boston, New England Economic Indicators (Federal Reserve Bank of Boston, October 1974).

21. Robert Healy and John Rosenberg, Land Use and the States.

22. For an analysis of Act 250 see T. L. Daniels and M. B. Lapping, "Has Vermont's Land Use Control Program Failed? Evaluating Act 250," Journal of the American Planning Association 50, no. 4 (Fall 1984):502-8.

23. This conclusion contradicts the findings of Baker and Anderson who decided that the tax fell largely on land sellers. However, their results were not based on a statistical analysis of land price data but rather on questionnaires filled out by a sample of taxable sellers in the early years of the tax when there was considerable uncertainty over the tax.

24. Healy and Short, The Market for Rural Land, 285.

25. Testimony by Suffolk University Law Professor Lyle Baker before the Joint Legislative Committee of the Vermont General Assembly, July 26, 1979, reported in the Burlington Free Press, July 27, 1979.

26. The decade 1970-1980 marked the first time since the census began in 1790 that the rural population of the U.S. grew at a faster rate than the urban population. See Philip Hauser, "The Census of 1980," Scientific American, November 1981, 53-61.

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Occasional Paper No. Six, "The French in Vermont: Some Current Views," by Peter Woolfson and Andre J. Senecal, 39 pp., 1983. Contains two papers: Woolfson's "The Franco-Americans of Northern Vermont: Cultural Factors for Consideration by Health and Social Services Providers" discusses some of the general cultural patterns of Franco-Americans and seeks to assist health and social services practitioners, in particular, to better understand clients who share this heritage; Senecal's "Studies on Vermont/Quebec Relations: The State of the Art," a bibliographical essay, surveys a wide range of works treating Vermont/Quebec relations from a number of different perspectives and disciplines.

Occasional Paper No. Seven, "From Ferment to Fatigue? 1870-1900: A New Look at the Neglected Winter of Vermont," by H. Nicholas Muller, III, 24 pp., 1984. Examines Vermont's history in the post-Civil War era and assesses the historiography of the period, finding its emphasis on decline incompatible with recent evidence; concludes by calling upon researchers to develop greater understanding of a neglected period in Vermont's past.

Occasional Paper No. Eight, "Relationships between School Taxes and Town Taxes in Vermont Local Government," by Leonard J. Tashman and Michael J. Munson, 35 pp., 1984. Discusses how voter tax commitments to school and town budgets relate to each other and to a community's size and wealth.

Occasional Paper No. Nine, "The Life and Legacy of the Reverend Phinehas Bailey," by Jeffrey D. Marshall, 26 pp., 1985. Gives an account of the life and times of the Reverend Phinehas Bailey (1787-1861), minister, craftsman, and inventor, who is perhaps best known for the system of shorthand he developed.

CATALOGUES

University of Vermont Bailey/Howe Library Folklore and Oral History Catalogue, 58 pp., 1981. Provides descriptive listings and shelf numbers for five collections housed in the UVM Archives of Folklore and Oral History: College of Medicine, Institutional, Political, Vermont Landscape Artists, and Folklore; includes index to Folklore Collection.

CONFERENCE PROCEEDINGS

Focus: Vermont 1975, edited by George B. Bryan, 21 pp., 1975. Presents papers delivered at a March 22, 1975 conference sponsored by the Center on such diverse subjects as music in Vermont, Vermont in maps, and the Vermont Data Bank; concludes with a plea to publish so that Vermonters might become more conscious of their heritage. Out of print; photocopies available for a fee.

Data Collection: Individual Rights to Privacy versus Public Program Needs, edited by D. Gregory Sanford, Mary B. Deming, and Frederick E. Schmidt, 55 pp., 1977. Summarizes addresses and remarks delivered at a November 6, 1976 conference sponsored by the Center and funded in part by a grant from the Vermont Council on the Humanities and Public Issues, and the UVM College of Arts and Sciences.

Vermont's Heritage: A Working Conference for Teachers--Plans, Proposals, and Needs, edited by Marshall True, Mary Woodruff, and Kristin Peterson-Ishaq, 127 pp., 1983, $5.00. Incorporates scholars' presentations and curricular projects developed by participants at a July 8-10, 1983 conference partially supported by a matching grant from the Vermont Council on the Humanities and Public Issues.

Teaching Vermont's Heritage: Proceedings of the Second Working Conference on Vermont's Heritage for Teachers, edited by Marshall True, Mary Woodruff, and Kristin Peterson-Ishaq, 150 pp., 1984, $5.00. Contains scholars' presentations and curricular projects developed by participants at a July 9-13, 1984 conference partially supported by a matching grant from the Vermont Council on the Humanities and Public Issues.

SUPPLEMENT

"University of Vermont Graduate College Theses on Vermont Topics in Arts and Sciences," 30 pp., 1982. Supplement to Occasional Paper No. One; provides abstracts of theses on Vermont topics in arts and sciences completed between Spring 1978 and Fall 1982.