VERMONT LAND GAINS TAX RETURN

TO BE COMPLETED BY SELLER (TRANSFEROR)

VERMONT DEPARTMENT OF TAXES, MONTPELIER, VERMONT 05633

PLEASE TYPE OR PRINT CLEARLY

1. SELLER'S (TRANSFEROR'S) NAME(S)	COMPLETE MAILING ADDRESS FOLLOWING TRANSFER	SOCIAL SECURITY NO.(S) OR FEDERAL IDENTIFICATION NO.

2. BUYER'S (TRANSFEREE'S) NAME(S)	COMPLETE MAILING ADDRESS FOLLOWING TRANSFER	SOCIAL SECURITY NO.(S) OR FEDERAL IDENTIFICATION NO.

3. INTEREST IN PROPERTY
- ☐ FEE SIMPLE
- ☐ UNDIVIDED 1/2 INTEREST
- ☐ UNDIVIDED _______ INTEREST
- ☐ TIMESHARE
- ☐ LEASE
- ☐ EASEMENT
- ☐ OTHER ______________________________
- ☐ RESALE OF OPTION

4a. PROPERTY LOCATION (ADDRESS IN FULL)

4b. NO. OF ACRES OR NO. OF SQUARE FT.

5. TYPE OF PROPERTY
- a. LAND
  - ☐ 1. OPEN
  - ☐ 2. TIMBER/TIMBER RIGHTS
- b. LAND & BUILDINGS
  - ☐ 1. RESIDENTIAL
  - ☐ 2. COMMERCIAL
  - ☐ 3. CAMP OR VACATION
  - ☐ 4. RENTAL

6. EXEMPTIONS
- a. ☐ PURCHASER'S PRINCIPAL RESIDENCE EXEMPTION*
- b. ☐ BUILDER'S EXEMPTION*
- c. ☐ AGRICULTURAL EXEMPTION* 1. ☐ OR 2. ☐
- d. ☐ SELLER'S PRINCIPAL RESIDENCE EXEMPTION
- e. ☐ AFFORDABLE HOUSING*
- f. ☐ OTHER

*THESE EXEMPTIONS DO NOT APPLY UNLESS CLAIMED BY BUYER ON VERMONT LAND GAINS WITHHOLDING TAX RETURN.

7. HOW ACQUIRED
- a. ☐ PURCHASE
- b. ☐ INHERITANCE
- c. ☐ GIFT
- d. ☐ OTHER

8. HOLDING PERIOD
- a. DATE ACQUIRED
- b. DATE SOLD
- c. TIME HELD

9. TOTAL SELLING PRICE: (LESS PERSONAL PROPERTY) - LAND & BUILDINGS ONLY			9.	
10. LESS SELLING EXPENSES: 10a. LEGAL FEES	10a.			
10b. SALES COMMISSIONS	10b.			
10c. ADVERTISING	10c.			
10d. OTHER (PLEASE LIST)	10d.			
10e. TOTAL SELLING EXPENSE: ADD LINES 10a - 10d			10e.	0
11. ADJUSTED SELLING PRICE: SUBTRACT LINE 10e FROM LINE 9			11.	
12. COST OF LAND: 12a. COST OF LAND	12a.			
12b. COST OF LAND IMPROVEMENTS (ATTACH LIST)	12b.			
12c. TRANSFER TAX (AT PURCHASE)	12c.			
12d. LEGAL FEES (AT PURCHASE)	12d.			
12e. OTHER (ATTACH LIST)	12e.			
12f. TOTAL: ADD LINES 12a - 12e			12f.	0
13. COST OF STRUCTURES: 13a. COST OF STRUCTURES	13a.			
13b. OTHER (ATTACH LIST)	13b.			
13c. OTHER (ATTACH LIST)	13c.			
13d. OTHER (ATTACH LIST)	13d.			
13e. TOTAL: ADD LINES 13a - 13d			13e.	0
14. TOTAL COST OF LAND AND STRUCTURES: ADD LINES 12f AND 13e			14.	0
15. TOTAL GAIN OR LOSS: SUBTRACT LINE 14 FROM LINE 11			15.	
16. GAIN AS A PERCENTAGE OF BASIS: DIVIDE LINE 15 BY LINE 14 AND ROUND TO THE NEXT HIGHEST WHOLE NUMBER			16.	%
17. TAXABLE GAIN: SEE INSTRUCTIONS			17.	
18. TAX RATE: SEE INSTRUCTIONS AND RATE TABLE ON PAGE 32			18.	
19. TAX DUE: MULTIPLY LINE 17 BY LINE 18			19.	0

19a. TAX DUE FROM BUYER: IF BUYER FAILS TO MEET ALL REQUIREMENTS OF THE EXEMPTION CLAIMED ON LINE 6, BUYER IS LIABLE FOR $__________________.

TURN FORM OVER AND CONTINUE ON REVERSE SIDE

Keep a copy of this return for your records.

20.	TAX DUE ON INSTALLMENT SALE. ATTACH COPY OF PROMISSORY NOTE AND CALCULATE TAX DUE. IF THIS IS NOT AN INSTALLMENT SALE, SKIP TO LINE 21.			
	20a. AMOUNT OF THIS PRINCIPAL PAYMENT	20a.		
	20b. AMOUNT REPORTED ON LINE 9	20b.		
	20c. DIVIDE LINE 20a BY LINE 20b	20c.	%	
	20d. AMOUNT REPORTED ON LINE 19	20d.		
	20e. MULTIPLY LINE 20c BY LINE 20d		20e.	0
21.	AMOUNT OF TAX WITHHELD BY BUYER OR ADVANCE PAYMENT		21.	
22.	REFUND: SUBTRACT LINE 21 FROM LINE 19 (LINE 20 IF INSTALLMENT SALE) AND ENTER AMOUNT OF REFUND DUE		22.	
23.	TAX DUE: IF LINE 21 IS SMALLER THAN LINE 19 (LINE 20 IF INSTALLMENT SALE), ENTER THE AMOUNT DUE →		23.	

DO NOT COMPLETE SCHEDULE A OR SCHEDULE B
IF YOU REPORTED A LOSS ON LINE 15

SCHEDULE A - COMPLETE THIS SCHEDULE IF THE TRANSFER INCLUDES BUILDINGS.

24.	FAIR MARKET VALUE OF LAND, EXCLUDING BUILDINGS. (SEE INSTRUCTIONS)	24.	
25.	TOTAL SELLING PRICE: ENTER AMOUNT REPORTED ON LINE 9	25.	
26.	PERCENTAGE GAIN ON LAND: DIVIDE LINE 24 BY LINE 25	26.	%
27.	TOTAL REALIZED GAIN: ENTER AMOUNT REPORTED ON LINE 15	27.	
28.	TAXABLE LAND GAIN: MULTIPLY LINE 26 BY LINE 27. IF AN EXEMPTION WAS NOT CLAIMED ON LINE 6, ENTER THE AMOUNT FROM LINE 28 ON LINE 17. IF AN EXEMPTION WAS CLAIMED ON LINE 6, COMPLETE SCHEDULE B	28.	

SCHEDULE B - COMPLETE THIS SCHEDULE IF AN EXEMPTION WAS CLAIMED ON LINE 6 AND ANY PORTION OF THE TRANSFER IS NOT EXEMPT.

29.	TOTAL ACRES OR SQUARE FEET TRANSFERRED	29.	
30.	NO. OF ACRES OR SQUARE FEET ELIGIBLE FOR EXEMPTION. (SEE INSTRUCTIONS)	30.	
31.	PERCENTAGE OF AREA USED FOR EXEMPT PURPOSES (I.E. NONCOMMERCIAL USE). THIS LINE IS NOT THE PRODUCT OF LINES 29 AND 30. (SEE INSTRUCTIONS)	31.	
32.	EXEMPT AREA: MULTIPLY LINE 30 BY LINE 31	32.	
33.	NONEXEMPT AREA: SUBTRACT LINE 32 FROM LINE 29	33.	
34.	PERCENTAGE OF GAIN FROM NONEXEMPT ACRES: DIVIDE LINE 33 BY LINE 29	34.	%
35.	TAXABLE LAND GAIN: MULTIPLY LINE 34 BY LINE 28. IF THE TRANSFER DID NOT INCLUDE BUILDINGS, MULTIPLY LINE 34 BY LINE 15 AND ENTER THE AMOUNT ON LINE 17	35.	

SCHEDULE C - COMPLETE THIS SCHEDULE IF THE TRANSFER INCLUDES THE SALE OF TIMBER OR TIMBER RIGHTS (SEE INSTRUCTIONS).
PLEASE COMPLETE LINES 9-15 PRIOR TO THE COMPLETION OF THIS SCHEDULE.

36.	SELLING PRICE OF TIMBER OR TIMBER RIGHTS	36.	
37.	BASIS OF TIMBER OR TIMBER RIGHTS (ADD TO LINE 14)	37.	
38.	GAIN OR LOSS ON SALE OF TIMBER OR TIMBER RIGHTS SUBTRACT LINE 37 FROM LINE 36. ADD THIS AMOUNT TO LINE 15.	38.	

WE HEREBY CERTIFY THIS RETURN IS TRUE, CORRECT AND COMPLETE TO THE BEST OF OUR KNOWLEDGE.

SIGNATURE OF SELLER (Transferor)	DATE	PREPARER'S SIGNATURE	
SIGNATURE OF SELLER (Transferor)	DATE	PREPARED BY - PRINT OR TYPE	TELEPHONE NO.
SIGNATURE OF SELLER (Transferor)	DATE	MAILING ADDRESS - STREET OR PO BOX	
SIGNATURE OF SELLER (Transferor)	DATE	CITY AND STATE	ZIP

MAKE CHECKS PAYABLE TO AND MAIL WITH THIS FORM TO:

VERMONT DEPARTMENT OF TAXES
LAND GAINS TAX
133 STATE STREET
MONTPELIER, VERMONT 05633

Keep a copy of this return for your records.

VERMONT LAND GAINS TAX RETURN (Form LG-2)
INSTRUCTIONS FOR SELLER (TRANSFEROR)

GENERAL INFORMATION

WHO IS REQUIRED TO FILE A VERMONT LAND GAINS TAX RETURN? The land gains tax is a tax on the gain from the sale or exchange of Vermont land that was held for less than six years. The definition of land may include the sale of timber or timber rights. Anyone who sells Vermont land that was held by the seller for less than six years is required to file this return within 30 days after the sale, even if no tax is due. **If the buyer claims the builder's exemption, the agricultural exemption, the affordable housing exemption, or the purchaser's principal residence exemption, the seller must file this return within 30 days of the sale to establish the amount of the buyer's liability in the event the conditions for exemptions are not met.**

Timber/Timber Rights. When the underlying land is sold separately from timber or timber rights and both sales occur within 6 years of the purchase, the gain on the sale of the timber or timber rights shall be combined with the gain or loss on the sale of the land to determine the land gains tax liability. If the sale of the land occurs first, and land gains tax on the sale has become due, before the timber or timber rights are sold, the taxpayer shall recompute and file an amended Land Gains Tax Return to include the gain or loss from the sale of timber and timber rights sold within 6 years of purchase. This rule shall apply if the underlying land is or was part of more than 300 acres of contiguous land owned by the same taxpayer. If the land is subject to and in compliance with a forest management plan approved under 32 V.S.A. §3755(b) or 10 V.S.A. §2623(2), neither timber nor timber rights are taxable.

Exceptions to Filing Requirement - The seller is not required to file this return if the buyer or seller claims one of the exemptions on the Property Transfer Tax Return. See the instructions for Line U on page 5.

LINE-BY-LINE INSTRUCTIONS

Lines 1 and 2 - Enter the full name, mailing address and social security or federal identification number of each transferor and transferee.

Line 3 - Check which describes the property interest being sold. A lease is subject to tax if it is for a period of at least 50 years (including possible renewals) or if the lessee has a purchase option and the right to construct a building or structure or make major capital improvements.

Line 4a - Enter the street address and town. If the property is located in more than one town, list all towns.

Line 4b - Enter the acreage or number of square feet being sold.

Line 5 - Check the boxes that describe the property.

Line 6 - Check the appropriate box if an exemption is claimed. The seller may not claim the purchaser's principal residence exemption, the builder's exemption, or the agricultural exemption unless the buyer has claimed the exemption on a Land Gains Withholding Tax Return filed with the Department of Taxes. If you check "other," please explain.

6a Purchaser's Principal Residence Exemption - This exemption applies to the sale of a dwelling and up to ten acres of land which the buyer will occupy as a principal residence within one year of purchase, or if no dwelling exists, sale of land on which the buyer will construct and occupy a principal residence within two years from purchase. If a local zoning ordinance requires more than ten acres for residential property, then the acreage specified in the ordinance will be exempted, up to a maximum of 25 acres. A "principal residence" includes a multi-family dwelling of four units or less if at least one unit will be used as the buyer's principal residence. A dwelling may qualify as a principal residence even though the resident maintains an office or retail store in the dwelling. In order for an existing dwelling to qualify as a purchaser's principal residence, the purchaser must occupy the dwelling as his principal residence within one year of the date of purchase.

6b Builder's Exemption - This exemption applies to the sale of up to ten acres of land on which the buyer (a builder) will build a dwelling that will be the principal residence of the next purchaser. If local zoning requires more than ten acres for residential property, the acreage specified in the ordinance will be exempted, up to a maximum of 25 acres. The builder must begin construction of a dwelling within one year, complete construction within two years, and sell the dwelling within three years to a buyer who will occupy it as his or her principal residence. (If the land is sold as more than one parcel by the builder who acquired it, each parcel must meet these three conditions.) In addition to claiming the exemption on the Land Gains Withholding Tax Return, the builder must file three Certificates of Principal Residence Construction (Forms LG 1.3, 1.4, and 1.5). The person buying from the builder must indicate on the Property Transfer Tax Return that the property will be used as the buyer's principal residence.

6c Agricultural Exemption - If this exemption is claimed, identify which type by checking Box 1 or Box 2.

Box 1. Sale of agricultural land by a farmer to the farmer's grandparent, parent, stepparent, brother, sister or child. The buyer must use the land as agricultural land for a period of time which, when added to the time the land was used as agricultural land by the transferor, equals or exceeds six years. To qualify as a farmer, an individual must earn at least one-half of his or her gross income from the business of farming. Agricultural land must contain at least 25 acres or produce an annual gross income of $2,000 from the sale of farm crops in one of the two, or three of the five, preceding calendar years.

Box 2. Sale of 25 acres or less to a farmer (32 V.S.A. §3752) for active and direct use by that farmer, and which, upon transfer, but for the acreage, meets the definition of agricultural/forest land in §3752 and continues to meet that definition for at least six years after the transfer.

6d Seller's Principal Residence Exemption - Sale of up to ten acres of land (or up to 25 acres if required by a local zoning ordinance) that was occupied by the seller as his or her principal residence. If the entire parcel is exempt from tax, the seller is not required to file this return. The seller may claim the exemption on the Property Transfer Tax Return. If more than ten acres of land (or up to 25 acres if required by a local zoning ordinance), schedules A & B must be completed to calculate the seller's tax liability on the land greater than ten acres.

6e Affordable Housing Exemption - An organization that qualifies under section 501(c)(3) of the Internal Revenue Code and also meets the "public support" test section 509(a)(2) of the Code and also has as one of the stated purposes of the organization to provide affordable housing may qualify for one of two exemptions:

1. If the land will be held by the organization for 6 years or more following the sale, then only one-half of the tax otherwise imposed is due. If the organization does not hold the land for at least 6 years, the organization is liable for the remainder of the tax.
2. If the organization sells the land within 12 months of the transfer to a buyer who qualifies under an affordable housing program and such buyer occupies a dwelling on the land as the principal residence as required by 32 V.S.A. §10002(b), no tax is due on the transfer to the organization. However, if the organization fails to transfer the land within 12 months to a qualified buyer, the organization is liable for the tax due on the original transfer and the transfer by the organization. Similarly, if the land is transferred without a dwelling and a qualified buyer fails to complete and occupy a principal dwelling within 2 years of purchase from the organization, the organization is liable for the tax on the first transfer and the buyer is liable for the tax on the subsequent transfer.

Line 7 - Check the boxes that describe the transaction. If you check "other," please explain.

Line 8a - Enter the date the seller acquired the property that is being sold. If the seller tacked the holding period of another person, enter the date the seller acquired the property on Line 8a and enter the total holding period on Line 8c.

Line 8b - Enter the month, day and year the seller transferred title to the land. The transfer (but not the granting) of an option is considered a transfer of title to land. The sale or exchange of shares in a corporation or other entity is also considered a transfer of title to land if it effectively entitles a purchaser to use or occupy land. In the case of a contract for deed, enter the date consideration first passed to the seller under the contract. A mere promise to purchase land and payment of earnest money, or a deposit in escrow, to which the seller has no immediate right, does not constitute the passing of consideration.

Line 8c - Enter the period of time the property was held as determined under the Internal Revenue Code. A spouse who acquires property by reason of death or divorce may add to his or her holding period the period of time the property was held by the other spouse or by both spouses. The holding period of one spouse alone before the creation of a tenancy by the entirety may be added to the holding period of the tenancy by the entirety.

Line 9 - Enter the total sales price of both land and buildings. The sales price includes all consideration paid or to be paid, including the amount of any liens on the property that are not removed at the time of transfer.

Line 10 - Itemize those selling expenses that may be used to reduce the seller's gain for federal income tax purposes, such as legal fees, sales commissions, advertising costs and surveying expenses that are directly connected with the sale of this parcel. The amount of land gains tax reported on this return may not be claimed as a selling expense. The total selling expenses for property that was held by the seller for less than one year may not exceed 12% of the selling price entered on Line 9.

Line 12 - Itemize all capital costs of acquiring the land and land improvements (such as roads, sidewalks, sewer and water systems). Attach an itemized list by description and cost. Also include the amount of any property transfer tax and legal fees paid by the seller when the seller acquired the land.

Line 13 - Enter the capital cost of all structures, including both the cost of acquisition and the cost of subsequent improvements. Do not include any personal property such as furniture. Do not include non-capital expenses such as taxes and interest unless capitalized under IRC §266.

Line 16 - To determine the percentage that the seller's gain bears to the seller's basis, divide Line 15 by Line 14. If the result is not a whole number, round up to the next highest whole number.

Line 17 - If you are reporting the gain from the sale of land only (no buildings), enter the amount shown on Line 15.

If the transfer includes a building, complete Schedule A and enter the amount shown on Line 28. See instructions for Schedule A on page 33.

If an exemption from tax was claimed on Line 6, complete Schedule B and enter the amount shown on Line 35. See instructions for Schedule B on page 33.

If the entire parcel is exempt from tax, enter zero.

Line 18 - Enter the single flat rate of tax that applies to the transaction, based on the seller's holding period (Line 8c) and the percentage which the seller's gain bears to the seller's basis (Line 16), using the following table:

Years Land Held by Transferor (Line 8c)	**Gain, as a Percentage of Basis (Line 16)**		
	0-99%	100-199%	200% or more
Less than 4 months	60%	70%	80%
4 months, but less than 8	35%	52.5%	70%
8 months, but less than 1 year	30%	45%	60%
1 year, but less than 2	25%	37.5%	50%
2 years, but less than 3	20%	30%	40%
3 years, but less than 4	15%	22.5%	30%
4 years, but less than 5	10%	15%	20%
5 years, but less than 6	5%	7.5%	10%

Line 19 - Multiply Line 17 by Line 18 to determine the land gains tax due. If the sale qualifies for the affordable housing exemption as stated in the instructions for Line 6e, please remit one-half of the tax due.

Line 19a - If the buyer assumes a tax liability based upon a purchaser's principal residence or builders exemption, calculate the potential tax liability. If total acreage is 10 acres or less, multiply Line 15 by Line 18. If the total acreage exceeds 10 and the transfer does not include a building, multiply Line 15 by Line 18 then subtract the amount on Line 19. If the total acreage exceeds 10 and the transfer includes a building, multiply Line 28 by Line 18 then subtract the amount on Line 19. Enter this amount on Line 8 Form LG-1.

Line 20 - To qualify as an installment sale, the land must have been held by the seller for at least one year; the total land gains tax liability reported on Line 19 must exceed $2,000; and the payments must be made directly to the seller in installments after the date of closing. A sale financed by a mortgage, deed of trust, or other financing arrangement in which the seller is paid in full on the date of closing is not an installment sale.

If the sale qualifies as an installment sale, a separate Land Gains Tax Return is required for each payment, including amounts paid at closing. On Line 20a, enter the amount of this principal payment. If this is the first Land Gains Tax Return filed for this sale, attach a copy of the promissory note or other documentation establishing the dates and amounts of payments.

Line 21 - Enter the amount of tax withheld by the buyer and remitted to the Department. If the seller obtained advance certification from the Commissioner of Taxes, enter the amount of land gains tax paid in advance of the sale.

***NOTE:* Do not complete Schedule A or Schedule B if you reported a loss on Line 15.**

Schedule A - Complete this schedule if the transfer includes a building.

Line 24 - Enter the fair market value of the land at the time of transfer. You may allocate gain between land and buildings using: 1) Percentages on municipal listers card. Divide the listed value of the land plus improvements (e.g.; septic system or well) by the listed value of the land improvements and buildings. Multiply the result by the total sale price on Line 9, and enter the portion of the sale price attributable to the land on Line 24. Attach a separate sheet showing computation. 2) A qualified appraisal. Attach a copy of the appraisal. 3) The percentages specified in Technical Bulletin 34 found on our web site at *http://tax.vermont.gov*

Alternatively, you may allocate amount realized between building and land. See Technical Bulletin 34 for more information on how to use this method.

Schedule B - Complete this schedule if an exemption was claimed on Line 6 and any portion of the transfer is not exempt.

Line 30 - Enter the maximum number of acres or square feet for which an exemption may be claimed. In general, no more than ten acres of land qualify for the purchaser's or seller's principal residence exemption or the builder's exemption. If local zoning requires more than ten acres for residential property, the minimum acreage specified in the ordinance may be exempted, up to a maximum of 25 acres. There is no ceiling on the number of acres that may be claimed for the agricultural exemption in box 1. Box 2 is limited to 25 acres.

Line 31 - If the entire property is used for exempt purposes, enter 100%. If a portion of the property is used for nonexempt purposes, i.e.; commercial use, enter the percentage used for exempt purposes.

If the property is used in part for nonexempt purposes, enter the percentage of area used for exempt purposes. For example, if a five-unit apartment building is sold with ten acres of land and 1/5 of the building will be occupied by the buyer as a principal residence, the buyer may claim exemption for 1/5 of the ten acres that would otherwise qualify for exemption. In this case, the seller should enter "10" on Lines 29 and 30, "20%" on Line 31 and "2" on Line 32.

If the property is used only for exempt purposes without an existing building and the entire acreage qualifies for exemption, you are not required to complete Lines 32 through 34. Skip to Line 35 and enter zero.

Schedule C - If this is the sale of timber, timber rights or they were previously sold, you must include any gain or loss on the sale of the timber or timber rights when figuring your land gains tax. The prior sale of timber or timber rights becomes taxable if the underlying land is sold within six years of purchase. This rule shall apply if the underlying land is or was part of more than 300 acres of contiguous land owned by the same taxpayer. If the land is subject to and in compliance with a forest management plan approved under 32 V.S.A. §3755(b) or 10 V.S.A. §2623(2), the timber or timber rights is not taxable. If the timber is taxable complete this schedule. Please complete Lines 9-15 prior to the completion of this schedule then add Line 37, Basis of Timber/ Timber Rights to Line 14. Add the result from Line 38 to Line 15 and recompute Line 16, Gain as a Percentage of Basis.

***Note:* Residents, Part-Year Residents, and Nonresidents - If the sale of property resulted in a gain which was included in your Federal Adjusted Gross Income, a Vermont Income Tax Return must be filed and income tax paid on that gain. If the seller was a nonresident at the time of the sale, the buyer must withhold 2.5% of the consideration paid for the transfer and remit it with Form RW-171 within 30 days of the transfer. If the buyer fails to withhold this amount, the buyer will be personally liable for the amount required to be withheld. See instructions on Form RW-171 or Form PT-172.**