

HB 623-FN - AS INTRODUCED

2015 SESSION

15-0317
10/01

HOUSE BILL **623-FN**

AN ACT providing property tax relief for taxpayers for the property tax year beginning April 1, 2016.

SPONSORS: Rep. Brewster, Merr 21; Rep. Marple, Merr 24

COMMITTEE: Ways and Means

ANALYSIS

This bill provides property tax relief for the property tax year beginning April 1 2016 by reducing the amount of statewide education property taxes assessed to taxpayers for the year. The source of funds for the property tax reduction is tobacco tax and tobacco settlement funds.

Explanation: Matter added to current law appears in ***bold italics***.
Matter removed from current law appears [~~in brackets and struck through.~~]
Matter which is either (a) all new or (b) repealed and reenacted appears in regular type.

STATE OF NEW HAMPSHIRE

In the Year of Our Lord Two Thousand Fifteen

AN ACT providing property tax relief for taxpayers for the property tax year beginning April 1, 2016.

Be it Enacted by the Senate and House of Representatives in General Court convened:

1 1 Purpose; Property Tax Relief. This act makes a reduction of \$140,000,000 for one year in the
2 amount of statewide education taxes assessed to be collected by towns and cities through local
3 property taxes.

4 2 State Education Tax. Notwithstanding the requirements of RSA 76:3, for the fiscal year
5 beginning July 1, 2015 the tax rate to be assessed on all persons and property taxable pursuant to
6 RSA 76:8, except property subject to tax under RSA 82 and RSA 83-F shall be sufficient to produce
7 \$223,000,000. The remaining funds needed to satisfy the amount of the warrant under RSA 76:8
8 shall be funded from the following:

9 I. An appropriation of \$100,000,000 of tobacco tax revenues under RSA 78 for the fiscal year
10 ending June 30, 2016. The governor is authorized to draw a warrant for said sum out of any money
11 in the treasury not otherwise appropriated.

12 II. The crediting of \$40,000,000 for the fiscal year ending June 30, 2016 of tobacco
13 settlement funds to the satisfaction of the commissioner's warrant under RSA 76:8

14 3 Effective Date. This act shall take effect upon its passage.

HB 623-FN FISCAL NOTE

AN ACT providing property tax relief for taxpayers for the property tax year beginning April 1, 2016.

FISCAL IMPACT:

The Department of Revenue Administration and Department of Education state this bill, as introduced, will have an indeterminable fiscal impact on state and local revenue and expenditures in FY 2016. There will be no fiscal impact on county revenue or expenditures.

This bill appropriates \$100,000,000 from tobacco tax revenues for the fiscal year ending June 30, 2016 for the purposes of this act.

METHODOLOGY:

The Department of Revenue Administration (DRA) states this bill provides for a reduction in the total amount of statewide education property tax (SWEPT) required to be raised from \$363,000,000 to \$223,000,000 in FY 2016, a decrease of \$140,000,000. The Department states this bill would reduce the amount of the calculated SWEPT for each city and town, which is collected locally and retained locally. This bill would offset the proposed SWEPT reduction with an appropriation of \$100,000,000 from tobacco tax revenues, and the credit of \$40,000,000 of tobacco settlement funds. However, the Department states it is unclear how these offsets would flow to the cities and towns. As a result, the exact fiscal impact cannot be determined at this time.

The Department of Education (DOE) states the reduction of total required SWEPT collections from \$363,000,000 to \$223,000,000 would reduce the SWEPT tax rate from \$2.42 per \$1,000 of equalized assessed valuation to \$1.49 per \$1,000 of equalized assessed valuation. This reduction would decrease the total amount of SWEPT raised by approximately \$139,553,004 in FY 2016. DOE states due to the loss of SWEPT, local expenditures could increase, however, the Department did not comment on the proposed offset provisions contained in the bill. Since the SWEPT is used to fund a portion of the calculated cost of an adequate education, and the remaining amount is provided to communities in the form of adequate education grants, it is assumed the proposed reduction in the amount of SWEPT raised will increase state adequacy grants to municipalities. Pursuant to RSA 198:41, III, (b), DOE cannot distribute a total education grant to a municipality that would exceed 108% of the previous fiscal year's grant to

said municipality. As a result, total adequate education grants will not increase by the total proposed reduction to SWEPT raised, but only up to the 108% cap amount on a municipality by municipality basis. DOE estimates the fiscal impact as follows –

	<u>Current Law</u>	<u>Proposed</u>	<u>Difference</u>
SWEPT Raised	\$363,137,923	\$223,584,919	\$(139,553,004)
Adequacy Grants	\$568,578,076	\$605,778,659	\$37,200,583
<hr/> Total Estimated Aid	\$931,715,999	\$829,363,578	\$(102,352,421)