

HB 680-FN-LOCAL - AS INTRODUCED

2015 SESSION

15-0809
10/09

HOUSE BILL **680-FN-LOCAL**

AN ACT relative to establishing the rate for and the collection of the education property tax and establishing a homestead exemption from the education property tax.

SPONSORS: Rep. Shattuck, Hills 1

COMMITTEE: Ways and Means

ANALYSIS

This bill establishes the rate of the statewide education tax at \$8 per 1,000 of the value of taxable property and transfers the authority to collect the education property tax from the municipalities to the department of revenue administration. This bill establishes a homestead exemption from the education property tax for the first \$250,000 of assessed value of homestead property. The bill also requires an annual transfer of \$150,000,000 from the education trust fund to the general fund.

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 Matter which is either (a) all new or (b) repealed and reenacted appears in regular type.

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STATE OF NEW HAMPSHIRE

In the Year of Our Lord Two Thousand Fifteen

AN ACT relative to establishing the rate for and the collection of the education property tax
and establishing a homestead exemption from the education property tax.

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

1 1 Education Property Tax; Rate Established; Collection by Department of Revenue
2 Administration. RSA 76:3 is repealed and reenacted to read as follows:

3 76:3 Education Property Tax.

4 I. Beginning July 1, 2015, and every fiscal year thereafter, an annual education tax at the
5 uniform rate of \$8 on each \$1,000 of the value of taxable property is hereby imposed on all persons
6 and property taxable pursuant to RSA 76:8, except property subject to tax under RSA 82 and RSA
7 83-F.

8 II. The commissioner of the department of revenue administration shall determine the state
9 education tax owed by each taxpayer under this section and bill each taxpayer for ½ the amount
10 payable by July 1 and ½ the amount payable by December 1 of each year.

11 III.(a) The commissioner of the department of revenue administration shall send a bill to the
12 taxpayer for all taxes, interest, additions to tax, and penalties imposed by this section. The taxpayer
13 shall remit the amount due the state to the department of revenue administration. The state
14 treasurer shall deposit all taxes, interest, additions to tax, and penalties collected in the education
15 trust fund established under RSA 198:39.

16 (b) The tax bill sent to each taxpayer of the education property tax shall include the
17 application and explanatory information for the education property tax homestead exemption under
18 RSA 76-A.

19 IV. The commissioner may institute actions in the name of the state to recover any tax,
20 interest on tax, additions to tax, or the penalties imposed by this section.

21 V. In the collection of the tax imposed by this section, the commissioner may use all of the
22 powers granted to tax collectors under RSA 80 for the collection of taxes. The commissioner shall
23 also have all of the duties imposed upon the tax collectors by RSA 80 that are applicable to the
24 commissioner. The provisions of RSA 80:26 shall apply to the sale of land for the payment of taxes
25 due under this chapter, and the state treasurer is authorized to purchase the land for the state. If
26 the state purchases the land, the state treasurer shall certify the purchase to the governor, and the
27 governor shall draw a warrant for the purchase price out of any money in the treasury not otherwise
28 appropriated.

29 VI. Appeals regarding valuation of property shall be made to the board of tax and land
30 appeals or the superior court of the county in which the taxpayer resides in the manner prescribed in

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1 RSA 76:16-a and RSA 76:17. Appeals other than appeals of valuation shall be made according to the
2 procedure and subject to the time limits provided for other taxes administered by the department
3 under RSA 21-J.

4 VII. Taxes not paid when due shall be subject to appropriate penalties and interest under
5 RSA 21-J.

6 2 Commissioner's Assessments. RSA 76:8 is repealed and reenacted to read as follows:

7 76:8 Commissioner's Assessments; State Education Property Tax; Local School Taxes
8 Authorized.

9 I. The commissioner shall utilize assessment data acquired from the towns, cities, and
10 places in this state having property subject to property tax under RSA 72 as appraised under RSA
11 75, and adjust the assessment of each property using the current equalization ratio for each such
12 town, city, or place in which it is located as determined pursuant to RSA 21-J:9-a. The equalized
13 assessed value for each property subject to tax shall be used in the calculation of tax bills under RSA
14 76:3.

15 II. Municipalities are authorized to assess local property taxes necessary to fund school
16 district appropriations not funded by the education tax, by distributions from the education trust
17 fund under RSA 198:39, or by other revenue sources.

18 3 Education Trust Fund; Source of Funds. Amend RSA 198:39, I(k) to read as follows:

19 (k) ***Education property taxes paid over to the state treasurer by the department***
20 ***of revenue administration pursuant to RSA 76:3.***

21 (l) Any other moneys appropriated from the general fund.

22 4 Determination of Adequate Education Grants. Amend RSA 198:41, I to read as follows:

23 I. Except for municipalities where all school districts therein provide education to all of their
24 pupils by paying tuition to other institutions, the ~~[department of education shall determine the total~~
25 ~~education grant for the municipality as follows:~~

26 ~~(a) Add the per pupil cost of providing the opportunity for an adequate education for~~
27 ~~which each pupil is eligible pursuant to RSA 198:40-a, I-III, and from such amount;~~

28 ~~(b) Subtract the amount of the education tax warrant to be issued by the commissioner~~
29 ~~of revenue administration for such municipality reported pursuant to RSA 76:9 for the next tax year]~~
30 ***municipality's total education grant shall be the amount calculated in RSA 198:40-a.***

31 5 Reference Change. Amend RSA 198:41, II(b) to read as follows:

32 (b) The total amount paid for items of current education expense as determined by the
33 department of education ~~[minus the amount of the education property tax warrant to be issued by~~
34 ~~the commissioner of revenue administration for such municipality reported pursuant to RSA 76:9 for~~
35 ~~the next tax year].~~

36 6 New Chapter; Education Property Tax Homestead Exemption. Amend RSA by inserting after
37 chapter 76 the following new chapter:

CHAPTER 76-A

EDUCATION PROPERTY TAX HOMESTEAD EXEMPTION

1
2
3 76-A:1 Definition. In this chapter, “homestead” or “homestead property” means the dwelling
4 owned by a claimant, or in the case of a multi-unit dwelling, the portion of the dwelling, which is
5 used as the claimant’s principal place of residence and the claimant’s domicile for purposes of
6 RSA 654:1. “Homestead” shall not include land and buildings taxed under RSA 79-A, 79-B, or 79-C
7 or land and buildings or the portion of land and buildings rented or used for commercial or industrial
8 purposes. In this section, dwelling owner includes one or more joint tenants or tenants in common
9 and a trustee of a grantor trust pursuant to sections 671-679 of the United States Internal Revenue
10 Code.

11 76-A:2 Homestead Exemption.

12 I. The first \$250,000 of equalized assessed value of the homestead of a qualifying taxpayer
13 shall be exempt from the education property tax due under RSA 76:3.

14 II. A qualifying taxpayer is an individual who:

15 (a) On April 1 owns a homestead subject to the education property tax; and

16 (b) Files a claim certifying, under the pains and penalties of perjury, that such taxpayer
17 qualifies under subparagraph (a) with the department of revenue administration, or local designated
18 official, if on or before April 15 of the current tax year. Claims filed after April 15 each year shall not
19 be considered timely for the current year, but shall be considered filed for the following tax year. The
20 commissioner of the department of revenue administration may, for good cause, accept late filings of
21 homestead exemption claims.

22 III. Upon receipt of a claim for a homestead exemption under this section, the department of
23 revenue administration shall review the claim and grant or deny the claim in writing to the
24 applicant by May 15 following receipt of the claim. Failure of the department to respond shall
25 constitute acceptance of the claim. Accepted claims shall continue from year to year without
26 necessity for refileing unless there is a change in ownership or use of the property. Accepted claims
27 may at any time be revoked for any tax year or portion thereof following the occurrence of one or
28 more of the following events:

29 (a) The claimant fails to file a return as required under this section within one year
30 following the close of the tax year for which the exemption is claimed; or

31 (b) The claimant is no longer qualified under the definition of homestead in RSA 76-A:1
32 due to a change in ownership or use.

33 IV. Claims shall be made on forms prescribed by the commissioner of the department of
34 revenue administration, and may be provided to designated local officials in each municipality.

35 V. The following shall apply to the determination of the amount of property value exempted
36 relative to a homestead which is part of a single tax parcel upon which is located either other
37 dwelling units not owned or occupied by the taxpayer or significant nonresidential use of the

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1 property:

2 (a) If the tax parcel includes property used for business or other nonresidential use, the
3 exempt homestead amount shall include, in addition to the actual homestead, the lesser of 1,000
4 square feet of floor area of such nonresidential use property or \$25,000 of equalized value, except
5 that family owned and operated farms which are not owned by a business entity or held in the name
6 of a non-natural person shall be eligible for the full homestead exemption on all property not
7 assessed under RSA 79-A, RSA 79-B, or RSA 79-C.

8 (b) If the tax parcel includes other dwellings or dwelling units, the value of the
9 homestead exemption relative to the claimed homestead shall be determined by the assessing official
10 as follows:

11 (1) Divide the value of the tax parcel by the number of dwelling units; or

12 (2) If the square footage of each dwelling unit is known, multiply the value of the tax
13 parcel by a fraction consisting of the square footage of the claimed homestead divided by the total
14 square footage of all dwelling units in the parcel.

15 (c) In lieu of the method of determining the amount of homestead exemption in
16 subparagraph (a) or (b), a taxpayer may present competent evidence of a greater proportion of
17 exempt value to the assessing officials. In such instance the taxpayer bears the burden of proving
18 the claimed exemption by the preponderance of the evidence.

19 (d) The commissioner of the department of revenue administration shall adopt rules,
20 pursuant to RSA 541-A, relative to the implementation and enforcement of the homestead exemption
21 under this chapter.

22 VI. Only one homestead exemption per married couple may be claimed in any tax year.

23 VII. A taxpayer who knowingly files a false or fraudulent homestead exemption claim shall
24 be guilty of a class A misdemeanor.

25 7 New Paragraph; Education Trust Fund; Transfer to General Fund. Amend RSA 198:39 by
26 inserting after paragraph II the following new paragraph:

27 III. The state treasurer shall on June 30 of each year transfer from the available balance in
28 the education trust fund, excluding any sums received under subparagraph I(h), the sum of
29 \$150,000,000 to be credited to the general fund.

30 8 Effective Date. This act shall take effect April 1, 2015.

HB 680-FN-LOCAL FISCAL NOTE

AN ACT relative to establishing the rate for and the collection of the education property tax and establishing a homestead exemption from the education property tax.

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 2015 and each year thereafter. There will be no fiscal impact on county revenue or expenditures.

METHODOLOGY:

The Department of Revenue Administration (DRA) states this bill provides for the collection of the statewide education property tax (SWEPT) by DRA and establishes a homestead exemption against the SWEPT. DRA states there would be an indeterminable increase in the expenditures at the state level due to the need to create extensive computer systems to manage and correlate locally assessed values, undertake a direct equalization of local assessments, receive and process hundreds of thousands of homestead applications, and bill taxes to approximately 685,000 properties twice a year, and establish and manage appeals of locally determined assessments. DRA states local expenditures will be impacted by the need for very close integration of local assessment information. They are unable to determine if the \$8.00 tax rate as applied against the equalized assessed values net of the homestead exemptions would generate more or less than the current \$363,000,000. DRA states there is no reliable means to estimate the increased costs to build and administer state level property taxation, and are unable to determine the exact fiscal impact at this time.

The Department of Education (DOE) states this bill makes changes relative to establishing the rate for and the collection of SWEPT, and establishes a homestead exemption. The bill also makes changes to how adequate education grants are calculated under RSA 198:41, as SWEPT would no longer be subtracted from the total cost of an adequate education to determine the grant. 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	\$0	\$(363,137,923)
Adequacy Grants	\$568,578,076	\$607,556,766	\$38,978,690
Total Estimated Aid	\$931,715,999	\$607,556,766	\$(324,159,233)