Ms. Patten welcomed those in attendance. She reported she did not attend the Science, Technology and Energy Committee meeting on November 1, 2017, however two additional amendments were proposed. The proposed amendments will be reviewed by the subcommittee, a decision made as to which amendment they will recommend to the full committee on November 9 and then the retained bill with amendment will be presented to the House on November 15.

A brief discussion took place about Representative Moffett’s proposed amendment which excluded ASB representation on the study commission but did include the NHAAO, DRA, BTLA and NHMA. If this did not change, Ms. Patten suggested members could provide input as the public to the committee and to the Senate. It will need to be decided whether the subcommittee and full ASB want to continue with the task of creating a standard and be able to provide input to the commission or not. Mr. Hamilton mentioned Commissioner Beardmore had directed him to represent the DRA rather than the ASB during testimony on House Bill 324. His last day at the department is November 3, and there could be a new direction from the acting commissioner Ms. Stepp.

Ms. Patten felt the ASB’s charge to recommend legislation for the assessment and property tax in N.H. has not changed and she felt the board should go about their business, keep up on the process and go forward. She stated it will be important to have a paper trail explaining what we do and why. She added there are words and definitions that are used interchangeably by different groups of people and that needs to be simplified so that everyone can understand the discussion. She suggested starting from the beginning in order to find something that can be agreed on.

There were two ideas brought forward: (1) the basic data being used in all appraisals is the same; and (2) RSA 72:8 and RSA 83-F each defines what property is taxable. This subcommittee and the ASB have determined generation (production) facilities, for the current task, does not belong in this discussion because it is a stand-alone merchant facility.

There was a discussion pertaining to the calculations of and the differences between original cost and original allowed cost and the effect regulation plays. This was followed by an explanation of the effect of value and allocation using a town with new and a town with old equipment with the same amount of electricity running through them and how value of the equipment currently plays a significant role in the valuation and property taxes assessed; where the differences start to come up and the problems arise. There was agreement that the
allocation method that is chosen is important but there will always be winners and losers relating to the allocation of value. Another point made was that some properties are being assessed under RSA 83-F and others under RSA 72:8 and that is where the disparity seems to be. Discussion ensued about functional obsolescence and economy of scale and the effect each may or may not have on an appraisal and the differences between reproduction cost new less depreciation versus replacement cost new less depreciation.

There was a discussion about whether to continue or not; wait for the results of the November 9, meeting and see if the proposed study commission is passed; and if it is, continue. Mr. Gagne asked Mr. Hamilton if he thought a consensus of the board could be reached. Mr. Hamilton explained the DRA’s role is to stand for fairness and equity in taxation and he reiterated his opinion that in the current system, no one can prove what the value is for a portion of a multi-jurisdictional property. The utilities can and do appeal the department’s determination of value for the entire unit under RSA 83-F, however they do not have that same right under Chapter 72. He stated he believes this board could figure out a formula using the right costs; figure out how to treat land and depreciation and how to do the allocation.

Mr. Bartlett introduced the approach to value used for utilities in New York which are valued on a town-by-town basis and use Handy Whitman as a starting point. The only issue he has with this process is the lack of direction given to calculate and/or apply the “allowance for functional obsolescence”. This type of process could be overseen by DRA and would be transparent to taxpayers. What would be needed are guidelines for annual depreciation and functional/economic obsolescence. This process would be the same for everyone. The towns will do the work, DRA will monitor, and it treats the utilities the same as all other taxpayers. How land is considered would need to be determined but he believes this is a good place to start.

Mr. Gagne suggested additional reporting for each jurisdiction to overcome the confidentiality issues at the department. He believes the board can come up with an outline and way to go about it. Suggestions that followed included a schedule of values for each type of property and one for depreciation. More discussion is needed to consider reproduction cost versus replacement cost. Moving forward, the goal remains to find the differences and be able to build a bridge between then and that a phase-in process would be needed.

Respectfully submitted,
Stephanie Derosier

Municipal and Property Division
NH Department of Revenue Administration

All meetings are recorded and are available upon request.

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