

New Hampshire Department of Revenue Administration

Fiscal Note Quick Guide

17-0973

SB 208-FN, *establishing a working families property tax refund program.*

Senate Ways & Means

The proposed bill would amend RSA 198 by establishing a refund of a portion of the State-Wide Education Property Tax (SWEPT) paid by New Hampshire taxpayers who received the Federal Child and Dependent Care tax credit pursuant to Internal Revenue Code § 21. The refund would be equal to the lesser of 50% of the claimant's Child and Dependent Care tax credit or the total amount of SWEPT paid by the claimant less any tax relief already provided by the Low and Moderate Income Homeowners Property Tax Relief (L&M) program (RSA 198:57).

The DRA would be responsible for administering the proposed refund. Completed applications for the refund would be filed with the DRA between May 1st and June 30th following the due date of the final property tax bill. The DRA would be responsible for reviewing the claim and certifying the amount to the state treasurer within 120 days if approved. Refunds would be paid to applicants from the Education Trust Fund (ETF).

The SWEPT is locally retained. The proposed bill contemplates the payment of refunds from the ETF. As a result, the DRA interprets the proposed refund as an increased expense to the ETF (as opposed to a decrease in revenues). The DRA cannot calculate the exact measure of increased expense that would result from the proposed refund because the DRA does not have access to data indicating what portion of New Hampshire homeowners qualify for the Child and Dependent Care tax credit.

The proposed bill states that the state refund would be equal to the lesser of 50% of claimant's Child and Dependent Care tax credit or the total amount of SWEPT paid by the claimant less any tax relief already provided by the L&M program. According to the U.S. Census Bureau, the average percentage of New Hampshire residents who were homeowners in 2014 was 69.6%.

In 2014 the total amount of Child and Dependent Care tax credit that was claimed by NH taxpayers on their federal returns was \$16,061,000. 50% of this amount would be \$8,030,500 which would be the hypothetical amount to be paid out to all recipients of the Child and Dependent tax credit if all recipients were homeowners. If 69.6% (rate of owner occupied housing in NH in 2014) is applied to the amount of Child and Dependent Care tax credit received by NH residents, the result is \$5,589,228 which would represent the maximum fiscal impact had the bill been in effect in 2014. This is assuming that none of the homeowners were receiving additional tax relief through the L&M program and homeowners and renters qualify for the Child and Dependent Care tax credit at equivalent rates.

To the extent that property tax refunds under the proposed legislation would be limited in instances where the taxpayer also received relief through the L&M program, or to the extent that recipients of the Child and Dependent tax credit are disproportionately renters, the expenditure increase estimated above would be mitigated.

In order to administer this bill, the DRA would need to create an additional position that would be primarily responsible for reviewing refund applications with a total approximate cost of \$53,000-\$61,000 in each fiscal year. This position would be necessary once the bill becomes effective on July 1, 2017.