

## New Hampshire Department of Revenue Administration

### Fiscal Note Quick Guide

25-0109.0

**HB 527**, replacing the statewide education property tax with a local revenue contribution.

Education Funding

**This bill replaces the statewide education property tax with a local revenue contribution from political subdivisions based on the lesser of the state education property tax warrant issued for the tax year beginning April 1, 2025 or the cost of providing the opportunity for an adequate education.**

Effective on July 1, 2025, the proposed legislation would repeal the Statewide Education Property Tax (SWEPT) which is currently assessed and collected by municipalities and retained for use by their local school districts. Thereafter, local revenue, supplemented by education grants and extraordinary need grants, would fund education

Section 1 of the proposed legislation defines “local contribution” as no less than either a) the adequacy amount for the municipality computed pursuant to RSA 198:40-a, I-III or b) the education tax warrant amount for property tax year beginning April 1, 2025 (issued in September 2024) whichever is less, effective July 1, 2026. It also provides that local revenue shall be no less than this amount.

Section 2 of the proposed legislation modifies the calculation for the Department of Education to determine education grants for municipalities under RSA 198:41, I and I-a to instead subtract the local contribution as opposed to the amount of the education tax warrant from the DRA.

Section 3 of the proposed legislation provides that for tax year 2026 only, local education taxes for the prior fiscal year for purposes of application of the caps under RSA 32:5-b<sup>1</sup> will include the SWEPT raised for 2025.

Sections 4 and 5 of the proposed legislation provide that for tax year 2026 only, the previous year’s local education property tax rate will include both the state and local education property tax rates for purposes of calculating the first semi-annual and first two quarterly tax payments due as provided in RSA 76:15-a and 76:15-aa.

Section 6 of the proposed legislation provides that Sections 3-5 apply to the tax year beginning April 1, 2026. Sections 3-6 of the proposed legislation are effective January 1, 2026.

Section 7, paragraphs I and II of the proposed legislation repeals RSA 76:3 which requires the DRA to set the education tax rate at a level sufficient to generate revenue of \$363 million and RSA 76:8, relative to the Commissioner’s warrant. The DRA assumes that no SWEPT warrants

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<sup>1</sup> There appears to be a typographical error at page 1, line 28, referring to “RSA 32:b-5.” The correct citation should be to “RSA 32:5-b.”

shall be issued for the property tax year beginning April 1, 2026 (issued in September 2025.) The repeal relative to SWEPT and the Commissioner's warrant is effective July 1, 2025.

Section 7, paragraphs III and IV of the proposed legislation repeal the Low and Moderate Homeowners' Property Tax Relief (L&M Relief) provisions contained in RSA 198:56 – 198:61, effective January 1, 2027. DRA assumes that the repeal of L&M Relief is intended to continue in effect for claims made for SWEPT assessed for property tax year 2025. Applications for such relief are due to be filed in May and June of 2026. DRA suggests that the applicable tax year for Section 7, paragraphs III and IV be added to Section 6 of the proposed legislation to make this clear.

DRA assumes that SWEPT will be collected for property tax year 2025 and that the repeal of SWEPT is intended to apply to property tax year 2026 (beginning April 1, 2026).

Under current law, each municipality collects the SWEPT on behalf of the state and retains the SWEPT locally to fund the state's portion of education funding. Although the SWEPT is locally retained, the total amount of SWEPT collected by the municipalities is still recognized by the state as revenue to the Education Trust Fund (ETF). The proposed legislation repealing RSA 76:3, relative to Education Tax, shall remove the recognition of the \$363 million revenue from state revenue. However, because the revenue is completely retained and utilized by municipalities, the net fiscal impact on the state will be zero.

The fiscal impact on municipalities, in total, would be indeterminable. The DRA is unable to determine the impact of this change to individual municipalities because the DRA would no longer be responsible for calculating the SWEPT rate in future years and cannot predict the local contribution or education grant amounts of municipalities. Education grants, which are currently determined by considering each year's SWEPT warrant, would in future be determined considering only the tax year 2025 warrant, regardless of subsequent changes in equalized property values.

The DRA is unable to determine the fiscal impact of the repeal of the L&M Relief because the DRA is unable to predict the applications that will be made for the relief in the future. However, the repeal of the L&M Relief would result in the reduction of state expenditures from the ETF. As a guide, the amount of relief that was paid out during FY 2024 was approximately \$1.1 million. The L&M Relief filing period runs between May 1 and June 30. The application dates for Tax Year 2026 claims are May 1, 2027, through June 30, 2027. Since the relief payments for Tax Year 2026 claims are paid out in FY 2027 and FY 2028, the fiscal impact of this proposed repeal will begin in FY 2027 and onwards.

The proposed legislation would not result in any additional expenses for the DRA.