

New Hampshire Department of Revenue Administration

Fiscal Note Quick Guide

25-0341.1

HB 669, *relative to requiring all revenue raised under the statewide education property tax to be deposited in the education trust fund and setting an equalized statewide tax rate.*

Ways and Means

This bill requires all revenue raised from the statewide education property tax to be deposited in the education trust fund and sets an equalized statewide tax rate.

The proposed legislation would amend RSA 76:3 to change the rate of the education property tax from an amount set by the Commissioner of DRA to “\$5.00 per \$1,000 of property valuation” beginning July 1, 2025.

It would also amend RSA 76:8 to require municipalities to transmit education property tax revenue collected to the state treasurer for deposit in the education trust fund (ETF) as directed in the warrant issued by the DRA Commissioner. The DRA suggests a due date for municipalities to transmit SWEPT amounts to the state treasurer be considered.

DRA assumes that the change made to RSA 76:8 would be applicable beginning with tax year 2026 (commencing April 1, 2026 and ending March 31, 2027) as the education property tax warrants for tax year 2025 were issued on September 27, 2024 without the proposed new instruction.

DRA also assumes that by “\$5.00 per \$1,000 of property valuation” the rate is meant to be set at \$5.00 per \$1,000 of *equalized* property valuation and suggests that this language be added to the proposed legislation for clarity.

Implementation of the proposed legislation would involve a simple change in how warrant amounts are calculated and would not result in any costs that could not be absorbed within DRA’s ordinary operating budget.

Under current law, each municipality collects SWEPT on behalf of the state totaling approximately \$363 million 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 would change this methodology, so that all SWEPT revenue is transmitted to the state treasurer and deposited to the ETF as state revenue.

The proposed legislation does not contain a mechanism for returning any SWEPT revenue to the municipalities. Currently, under RSA 198:41, the education grant to municipalities is net of the amount of the SWEPT warrant because it assumes that the SWEPT revenue remains with the municipalities for use by their school districts. Modification of RSA 198:41 or some other mechanism may need to be considered if the intent is that some portion of SWEPT continue to

be used by municipalities for education. It may also be prudent to consider a companion amendment to RSA 198:39 for the same reason.

The proposed legislation will result in an indeterminable increase to the ETF and a smaller indeterminable decrease in local revenues which DRA is unable to predict due to a lack of knowledge concerning property values in future years. However, DRA is able to calculate what the impact of the proposed legislation would have been had the proposed rate and methodology been in effect for tax year 2025.

The total statewide equalized property value, not including utilities and railroads, as of 4/1/2023 (used for setting tax rates for tax year 2025) was \$324,568,603,527. Using this valuation, the Commissioner set the SWEPT rate at \$1.120 per \$1,000 of equalized value in order to generate the statutorily required \$363,000,000. Had the tax rate been \$5.00 per \$1,000 of equalized valuation as in the proposed legislation, the SWEPT revenue generated would be \$1,622,843,018, or an increase of approximately \$1.26 billion (347%). All such SWEPT revenue would be placed in the ETF and would no longer be local revenue if the proposed legislation were in effect for the 2025 tax year.

The DRA is unable to determine the impact of this change on municipalities. The payment of the SWEPT over to the state will result in a decrease in municipal revenue. However, the SWEPT that is currently retained locally offsets the state's obligation to fund the state portion of education funding, the funding mechanism for which is not clear in the proposed legislation.