

New Hampshire Department of Revenue Administration

Fiscal Note Quick Guide

25-0761.0

HB 734, *relative to the state education property tax and the low- and moderate-income homeowners property tax relief program.*

Education Funding

This bill:

I. Requires the department of revenue administration to receive the revenues from the state education property tax and deposit them in the education trust fund.

II. Revises the procedures for calculating state education grants.

III. Modifies the criteria for relief under the low- and moderate-income homeowners property tax relief program.

IV. Establishes a committee to study the low- and moderate-income homeowners property tax relief program.

Section 1 of the proposed legislation would amend RSA 76:3 to require the Commissioner to annually inflation-adjust the amount of revenue to be generated by the state-wide education property tax (SWEPT) beginning July 1, 2025, applicable beginning with tax year 2026 (commencing April 1, 2026 and ending March 31, 2027).

Section 2 of the proposed legislation would amend RSA 76:8, II to require municipalities to quarterly transmit all SWEPT collected to the DRA for deposit in the education trust fund (ETF) as directed in the warrant issued by the DRA Commissioner, applicable beginning with tax year 2026; and provides that DRA in consultation with DOE may adopt rules and procedures and develop forms for this purpose.

Section 3 of the proposed legislation modifies the language concerning the Low- and Moderate-Income Homeowners Property Tax Relief (L&M) program required to be included on each property owner's tax bill.

Section 4 of the proposed legislation would amend RSA 198:39, II to permit the deposits required by Section 2.

Section 5 of the proposed legislation would amend RSA 198:57, III and IV to expand the L&M program to permit rebate of local as well as statewide education tax; to raise household income limits on eligibility; to lower the property value factor used for the rebate calculation; to adjust the income brackets used for the rebate calculation; and to set annual per-claimant and aggregate caps on payments.

Section 5 of the proposed legislation would also change the residency date for eligibility purposes to the date of the final tax bill as defined in RSA 76:1-a.

Section 6 of the proposed legislation would add new RSA 198:57, VII requiring the Commissioner to annually inflation-adjust the dollar amounts changed in Section 5.

Section 7 of the proposed legislation would establish a committee to study specific aspects of the L&M program with support from the DRA Commissioner, to report its findings by November 1, 2025.

The proposed legislation would be effective beginning July 1, 2025.

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 deposited to the ETF as state revenue beginning in FY 2026. It would also increase the \$363 million annually beginning in FY 2026 by an indeterminable amount which DRA is unable to calculate because DRA is unable to predict what levels of inflation may be in the coming years.

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.

The DRA is unable to determine the fiscal impact of Sections 5 and 6 of the proposed legislation because it does not have all the data needed to calculate the fiscal impact. The proposed legislation would increase the maximum qualifying household income, decrease the maximum qualifying homestead value, and adjust the income brackets for award determination, all with respect to the amount of tax relief available to the claimant. Additionally, the proposed legislation would impose a cap on payments of \$30 million in aggregate and \$1,100 per claimant and would change the residence date for eligibility to the date of the final tax bill. These changes are to be effective July 1, 2025. The DRA interprets this proposed effective date as first impacting property taxes assessed on April 1, 2026. The application period for this taxable period will begin on May 1, 2027 with rebates being made starting in FY 2028. The changed eligibility date will permit taxpayers who purchase property during the tax year to apply for L&M relief during their first partial year of home ownership.

The DRA believes that it could administer sections 1 and 2 of the proposed legislation without any new positions. However, there would be an indeterminable cost associated with developing forms and modifying systems as described including implementing the electronic filing and payment mechanism that would be required to facilitate payment of the SWEPT over to DRA. Therefore, the DRA estimates a cost of \$300,000 to be incurred in FY 2026.

The DRA is not sure how these changes will impact the number of claimants, or the relief amounts which on average and in the aggregate have not yet come near to the capped amounts.

However, DRA believes that the expansion of the L&M program to include the rebate of local as well as statewide education property tax would result in an indeterminable increase in state expenditures. By way of estimation, DRA believes such expenditure might at least double, when analyzed as follows. Looking at data available from DOE for tax year 2020, SWEPT revenue was \$363 million and local education tax revenue was \$2,141 million. In the 2021 claim year (during which rebates were awarded for SWEPT payments in tax year 2020), L&M rebates of \$1.4 million were awarded to 5,821 claimants, for an average of \$241 per claimant. Since the eligibility criteria in the proposed legislation is the same for both state and local education property taxes, and since local education property taxes were several times greater than SWEPT, it is reasonable to assume that the same claimants who received SWEPT rebates would have received an identical local education property tax rebate had the proposed legislation's expansion to local taxes been in place during tax year 2020. While it is not possible to know exactly how much additional local tax revenue might be eligible for rebate, it is reasonable to assume that the expansion of the L&M program to include local education property tax would at least double the amount of rebates paid.