New Hampshire Department of Revenue Administration

Fiscal Note Quick Guide

25-0486.0

HB 782, *expanding property tax exemptions for certain elderly and disabled persons; raising public awareness regarding tax credits and exemptions; and requiring an annual report regarding the efficacy of the low- and moderate-income homeowners property tax relief program.*

Municipal and County Government

<u>This bill:</u>

<u>I. Requires municipalities to post instructions on how to apply for tax exemptions in tax collectors' offices.</u>

<u>II. Increases tax exemption eligibility for certain elderly and disabled persons.</u>

<u>III. Increases eligibility for the low- and moderate-income homeowners' property tax relief program.</u>

<u>IV. Requires the commissioner of the department of revenue administration to submit an annual report detailing the efficacy of the low- and moderate-income homeowners property tax relief program.</u>

<u>V. Establishes a committee to study the feasibility of certain tax relief and property tax proposals.</u>

The proposed legislation known as the New Hampshire Fair Property Tax Relief Act (NHFPTRA) is a comprehensive proposal that would provide local property tax and statewide education property tax (SWEPT) relief to disabled, deaf, elderly, and low- & moderate-income taxpayers.

Section 2 of the proposed legislation would require information about all available property tax relief programs, including certain property tax exemptions, credits, abatements, and deferrals, be printed on every resident tax bill and posted in every tax collector's office as well as two places where the municipality regularly posts notices of its governing body meetings.

Sections 3 through 6 of the proposed legislation would increase the minimum adoptable net asset threshold to be eligible for disabled, deaf or severely hearing impaired, and elderly exemptions from no less than $35,000 to no less than $50,000 and would require these amounts to be adjusted for inflation annually.

Section 6 of the proposed legislation would additionally increase the minimum adoptable elderly exemption from no less than $5,000 to no less than $7,500 to be adjusted for inflation annually.

Section 7 of the proposed legislation amends RSA 198:57, II, the Low- and Moderate-Income Homeowners Property Tax Relief (L&M) program, to require the DRA to establish an online application tool or portal to enable residents to apply online for the L&M program. The DRA has already established an online portal enabling residents to apply online for the L&M program via Granite Tax Connect (GTC).

Sections 8 through 10 of the proposed legislation would amend RSA 198:57 to increase the income limitations for L&M award eligibility s as well as the maximum amount of tax relief available to an awardee as follows:

- Increases the total household income that may qualify for an L&M award from $37,000 or less to $100,000 or less for single applicants and from $47,000 or less to $110,000 or less for married applicants or applicants that file as heads of household and adjusted for inflation annually.
- For purposes of calculating the total award each recipient receives, the existing income brackets for single applicants are amended as follows:
- Single filers
    - Income of less than $23,100 is increased to income of less than $86,000 will result in an award of 100% of the requested amount.
    - Income of $23,100 but less than $27,800 is increased to $86,100 but less than $90,800 will result in an award of 60% of the requested amount.
    - Income of $27,800 but less than $32,400 is increased to $90,800 but less than $95,400 will result in an award of 40% of the requested amount.
    - Income of $32,400 but less than $37,000 is increased to $95,400 but less than $100,000 will result in an award of 20% of the requested amount.
- Married or head of household filers:
    - Income of less than $29,400 is increased to income of less than $92,400 will result in an award of 100% of the requested amount.
    - Income of $29,400 but less than $35,300 is increased to $92,400 but less than $98,300 will result in an award of 60% of the requested amount.
    - Income of $35,300 but less than $41,100 is increased to $98,300 but less than $104,100 will result in an award of 40% of the requested amount.
    - Income of $41,100 but less than $47,000 is increased to $104,100 but less than $110,000 will result in an award of 20% of the requested amount.

The new income values would also be adjusted for inflation annually.

Section 11 of the proposed legislation would require the DRA to post a notice for the L&M program in a public space in its building as well as on its website.

Section 12 of the proposed legislation would require the DRA to submit an annual report within 90 days after the close of each fiscal year to the governor, the president of the senate, the speaker of the house of representatives, the chairperson of the fiscal committee of the general court, the senate clerk, the house clerk, the members of the New Hampshire congressional delegation and the state library describing the activities and efficacy of the L&M program and giving an accounting of the program since the last annual report. DRA notes that the information which would be provided in the report could vary slightly form the ultimate program year information, due to the processing of late claims, which DRA may accept until November 1. The proposed legislation would also require the DRA to provide any recommendations for further legislation regarding the L&M program in the report, along with any such other relevant matters as the Commissioner shall determine.

Section 13 of the proposed legislation would reduce the number of days the DRA has to certify L&M relief to the Treasurer from 120 days to 90 days. Further, Section 13 would reduce the number of days in which the DRA must notify the taxpayer of its decision to reduce or reject their L&M relief claim from 90 days to 60 days.

Sections 14 through 18 of the proposed legislation would establish a committee to study capping property taxes at a certain percentage of annual household income, automatically providing tax relief for seniors and low-income seniors who qualify for the L&M program and imposing an additional property tax on certain luxury residential properties. These sections also set out who is to sit on the committee, the duties of the committee, what constitutes a quorum of the committee, and calls for the production of a committee report due on or before November 1, 2025.

Section 19 of the proposed legislation would prospectively repeal the L&M program statute as of July 1, 2036. The DRA assumes that the repeal would be effective after the close of property tax year 2035 application period and processing of those applications including any late applications permitted by DRA.

Sections 14 through 18 (related to the committee) would be effective upon passage. The remaining sections would be effective July 1, 2026. The DRA assumes the proposed legislation is intended to apply to property taxes assessed on April 1, 2027, and changes to the L&M program would be effective for the application period beginning May 1, 2028.

Several sections of the proposed legislation require adjustments to inflation annually. The DRA suggests clarifying language about which period is to be used for the annual inflation adjustment and who is to perform the calculations.

The DRA believes that it could administer Sections 7 and 11 through 18 of the proposed legislation without any new positions or additional costs incurred. However, the increase in income levels for single and married/head of household claimants in sections 8 through 10 and the shortened timeframes in section 13 may generate a significant increase in L&M program claims which DRA likely could not timely process at current staffing levels. In that event, the DRA would need additional staff to handle the increase in claims.

Sections 3 through 6 of the proposed legislation would not have a fiscal impact on municipal revenues but would represent a shift in which taxpayers contribute those revenues.

The DRA is unable to determine the fiscal impact of Sections 7 through 10 of the proposed legislation on revenues because it does not have all the data needed to calculate the fiscal impact. However, because the proposed legislation would increase the maximum qualifying household income, the DRA assumes there would be both an increase in claimants and an increase in relief amounts, which would result in an indeterminable increase to state expenditures in FY2029 in the Education Trust Fund.

If sections 8 through 10 of the proposed legislation result in the expected increase in workload for processing of L&M applications, DRA would need an additional Tax Examiner II beginning in FY 2028 at a position cost of $74,000.