

New Hampshire Department of Revenue Administration

Fiscal Note Quick Guide

24-2245.0

HB 1514, *relative to excess funds paid to municipalities for the use of school districts.*

Ways and Means

Requires municipalities to remit any excess statewide education property tax to the state.

This proposed legislation requires municipalities to remit any excess statewide education property tax (SWEPT) to the DRA to be deposited into the Education Trust Fund (ETF).

Section 1 and Section 3 of the proposed legislation requires excess SWEPT amount to be assessed by municipalities and remitted to the DRA for deposit into the ETF by March 15 of the tax year in which the excess occurs.

The DRA is required by RSA 76:8 to issue the SWEPT warrant by December 15. DRA assumes that the Department of Education shall calculate the excess SWEPT amount and provide that information to the DRA in sufficient time for DRA to issue the SWEPT warrant containing the information of the excess SWEPT to be remitted to the DRA. The DRA suggests that additional language be included to require the Department of Education to provide the information of excess SWEPT to the DRA in sufficient time for DRA to issue the warrants.

Section 2 of the proposed legislation amends the calculation of education grants in RSA 198:41, I by excluding the excess SWEPT from the formula.

The proposed legislation does not define the term “excess statewide education property tax”. DRA assumes this term to mean the amount of SWEPT that exceeds the total cost of an adequate education as calculated by the Department of Education.

The DRA assumes that municipalities would be successful in collecting the excess SWEPT amount for remittance to the DRA and will only remit the excess SWEPT to the DRA electronically once a year.

This proposed legislation shall be effective July 1, 2024. DRA interprets this to mean that this proposed legislation will first apply to property taxes assessed on April 1, 2025 (Tax Year 2025 running from April 1, 2025 through March 31, 2026). The SWEPT warrants for Tax Year 2025 would be issued by the DRA by December 15, 2024. Municipalities shall remit the excess SWEPT amount to the DRA by March 15, 2026 (FY 2026).

The proposed legislation would result in an indeterminable increase in revenue to the state ETF and a corresponding indeterminable decrease in revenue to municipalities that currently retain excess SWEPT.

The DRA is unable to calculate the effect to state revenues because the total cost of an adequate education is calculated by Department of Education. The DRA is able to compare the SWEPT with the Department of Education's calculation of cost of an adequate education for Tax Year 2023 (FY 2024) of \$810 million. A comparison made at the municipality level showed municipalities with excess SWEPT totaled approximately \$26 million.

To administer this new requirement and build out the functionality within our new Revenue Information Management System (RIMS) and on-line user portal Granite Tax Connect (GTC), the estimated cost is \$300,000.

The description in the Analysis section of the bill states that the excess SWEPT is to be deposited into the General Fund, while the proposed legislation, in proposed RSA 198:47-a, II, states the deposit shall be made into the ETF.