

New Hampshire Department of Revenue Administration

Fiscal Note Quick Guide

24-2025.1

HB 1563, *relative to the education property tax and the authority of political subdivisions.*

Ways and Means

Replaces the statewide education property tax with a property tax contribution from political subdivisions based on the state education property tax warrant issued for the tax year beginning April 1, 2024 and also restores statutory authority for determination of education grants for municipalities that tuition students to other institutions.

This proposed legislation sets to replace the statewide education property tax (SWEPT) with a property tax contribution from political subdivisions.

Section 1 of the proposed legislation amends RSA 72:6 to enable political subdivisions of the state to impose tax on real estate and limits the state's ability to tax real estate to railroads pursuant to the Taxation of Railroads under RSA 82 and utility properties pursuant to the Utility Property Tax under RSA 83-F. The DRA believes that this added sentence to RSA 72:6 is not necessary to accomplish the intent of the bill with the repeal of RSA 76:3.

Section 2 of the proposed legislation defines "local property tax contribution" to be the RSA 76:8 education property tax warrant issued by the DRA for the property tax year beginning April 1, 2024. These warrants were issued around September 2023, the revenue of which shall be for FY 2025.

Section 3 of the proposed legislation modifies the calculation of total education grant for municipalities under RSA 198:41, I to subtract the local property tax contribution as opposed to the amount of the education tax warrant from the DRA. Section 3 adds new paragraph I-a to RSA 198:41 stating the method for the Department of Education to determine the total education grant for the municipalities where all school districts therein provide education to all their pupils by paying tuition to other institutions.

Section 4 and 5 of the proposed legislation repeals RSA 76:3 that 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. RSA 76:8, II currently requires the Commissioner to issue the SWEPT warrants by December 15th each year. This repeal of Sections 4 and 5 shall be effective December 1, 2024. The DRA assumes that no SWEPT warrants shall be issued for the property tax year beginning April 1, 2025, the revenue of which would be for FY 2026. The DRA generally issues the warrant around September, RSA 76:8 requires the SWEPT warrant to be issued by December 15th each year. Therefore, the DRA suggests that the effective date of this repeal be July 1, 2024 for property tax year beginning April 1, 2025.

The DRA assumes that each municipality would assess the local property tax contribution, generating the cumulative total of \$363 million, to fund school district appropriations that were previously funded by the SWEPT. The DRA assumes that each municipality's local property tax contribution rate for future years will remain static to the 2024 warrant.

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 ETF. The proposed legislation repeals the SWEPT. With the repeal of SWEPT, there would be a decrease in revenue of \$363 million in the ETF starting in Fiscal Year 2026.

This proposed legislation repealing RSA 76:3, relative to Education Tax, shall remove the recognition of the \$363 million revenue from state revenue.

The municipalities, in total, would see an increase in revenues by \$363 million. However, 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 instead the local property tax contribution for each municipality would be set to the 2024 warrant, therefore there would be no change in the amount for each municipality based on future changes in values.

Section 4 and 5 of the proposed legislation also repeals the Low and Moderate Income Homeowners Property Tax Relief (L&M Relief), RSAs 198: 56 through 198-61 and repeals RSA 198:39, I(d) that provided for the usage of moneys in the Education Trust Fund (ETF) to provide for the L&M Relief. This repeal of Sections 4 and 5 shall be effective January 1, 2026. The DRA interprets to mean that this repeal would apply to property taxes assessed on April 1, 2026 and thereafter. There is no applicability date corresponding to a particular property tax year. If the proposed L&M Relief repeal was intended to apply starting from claims made for property taxes assessed on April 1, 2026, the DRA suggests the addition of an applicable property tax year date of "property taxes assessed on April 1, 2026 and thereafter."

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 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 for the relief in the future. However, the repeal of the L&M Relief would result in the reduction of state expenditure from the ETF. As a guide, the amount of relief that was paid out during FY 2023 was approximately \$1.5m.

The remainder of the proposed legislation shall be effective July 1, 2025.

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