

New Hampshire Department of Revenue Administration

Fiscal Note Quick Guide

23-0304.0

HB 568, *relative to assessing all state adequate education and local education costs through the state education warrant.*

House Ways and Means

This proposed legislation requires the Commissioner of the DRA to calculate the tax rate for local education using total equalized property values for all school districts to fund school district appropriations not funded by distributions from the Education Trust Fund (ETF) or other school district revenue sources. Currently, the Commissioner of the DRA calculates the tax rate for local education using locally assessed property values.

Section 5 of the proposed legislation amends RSA 198:4-a, IV, stating that the Commissioner of the DRA shall compute the local education tax rate from the certified statewide total of all school district appropriations. In reading this along with Section 1, the DRA interpreted this to mean that the local education tax rate is calculated to arrive at the total combined sum of all the appropriations of all school districts that are not funded by distributions from the education trust fund under RSA 198:39 for state education grants or by other school district revenue sources.

Under the proposed legislation, the SWEPT and local education tax collected by the selectmen or assessors for each municipality are to be remitted to the DRA for deposit into the ETF. The local education tax moneys shall be kept separately in a local education reserved account within the ETF. All local education costs shall be paid out from this reserved fund.

The proposed legislation shall be effective July 1, 2023. The DRA assumes the proposed legislation will first apply to property taxes assessed on April 1, 2024, yet based on equalized values from May 2023.

The DRA believes that we could administer these changes without any new positions. However, there would be an indeterminable cost associated with implementing the electronic filing and payment mechanism that would be required to facilitate payment of the SWEPT and local education taxes over to the DRA.

The DRA is unable to predict property valuations in future years and is therefore unable to calculate the fiscal impact of the proposed legislation. Under current law, each municipality collects SWEPT on behalf of the state totaling \$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 municipalities is still recognized by the State as revenue to the ETF. The DRA does not currently recognize local education tax as revenue to the State.

Under the proposed legislation, the computation method of the local education rate would mirror the computation method for SWEPT. From the total combined funding needed by all the school districts that is required to be raised, each municipality's local education tax rate will then be computed using that municipality's equalized value divided by the total equalized value in the state. This local education tax rate is that municipality's portion of the total of all school district needed funds. Each municipality will apply this rate to each property owner's assessed value to collect the tax and remit to the DRA.

The requirement for the municipality to remit the local education tax would result in an indeterminable increase to State revenue. These moneys will then be paid out through the Department of Education to municipalities. If the total payment equals the moneys remitted, the result is a revenue neutral impact.

The DRA is unable to determine the impact of the proposed legislation on municipalities. The State's obligation to fund the state portion of education funding will now be paid directly to the municipality by the State. The impact this will have on municipalities will vary depending on whether SWEPT normally collected and retained is more or less than the State's obligation to fund the state portion of education.

The same would also apply to the local education taxes.

There would be an indeterminable cost associated with implementing the electronic filing and payment mechanism that would be required to facilitate payment of the SWEPT and local education taxes over to the DRA.

The proposed change in calculating the local education tax rate aggregates the school district funding across all municipalities within the State. Calculating that rate based on equalized value could result in property owners of a municipality being assessed taxes that might be higher or lower than what is required for its particular local funding.

The proposed legislation does not provide explicit language imparting authority to the Commissioner of the DRA to issue a warrant for the assessment of local education taxes. A Commissioner's warrant to assess such tax may be implied in sections 2 and 4 of the proposed legislation. However, RSA 76:8, II does still state that the Commissioner's warrant was for the amount computed in "paragraph I", which is the tax under RSA 76:3 (SWEPT only).