New Hampshire Department of Revenue Administration

Fiscal Note Quick Guide

23-0330.1

HB 569, *relative to the state education property tax and the low and moderate income homeowners property tax relief program*

House Ways and Means

Under current law, each municipality collects the state education tax (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 the municipalities is still recognized by the State as revenue to the ETF. The proposed legislation would instead require the municipality to collect the SWEPT and remit the SWEPT in full to the DRA for deposit into the ETF, after deducting a 3% municipal processing fee.

Although the state would receive the SWEPT collected by the municipalities, the proposed legislation would result in a reduction in ETF revenue, $10.9 million, due to the municipality's ability to deduct their costs from the $363 million they assess and collect. The DRA interprets this proposed effective date as first impacting property taxes assessed on April 1, 2024 and collected via the final property tax bill in the fall of 2024. The proposed legislation would therefore begin impacting ETF revenue in FY 2025.

The DRA is unable to determine the impact of this change on municipalities. The payment of the SWEPT over to the state will result in a decrease in municipal revenue. However, the SWEPT that is currently retained locally offsets the state's obligation to fund the state portion of education funding, which 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.

Section 6 of the proposed legislation amends the eligibility for the L&M relief claimant from a person who resided in a qualifying homestead on April 1 of the year for which the claim is made to a person who resided in a qualifying homestead on the date of the final tax bill as defined in RSA 76:1-a for the year for which the claim is made. The section also amends RSA 198:57 to increase the income limitations for L&M awards as well as the maximum amount of tax relief available to an awardee. All dollar values will be adjusted annually for inflation by the DRA.

Total relief under the L&M program will be capped at $30 million for the fiscal year to which the claim applies. If more claims are received than allowed by the cap, the Commissioner of the DRA shall reduce proportionally the amount of each taxpayer's check for that fiscal year. Late claims authorized pursuant to RSA 198:57, VI(b) shall be counted against the $30 million cap of the following fiscal year.

Section 7 of the proposed legislation stipulates that around May 1 each year, the DRA shall mail the current year forms necessary to apply for the property tax relief program to each homeowner who received property tax relief in the prior year.

To effectuate the calculations for the aggregate payout limitation of $30 million per fiscal year, payouts cannot commence until the final application is received by June 30. Current law RSA 198:57, VI(b) allows the DRA to accept L&M relief late applications through November 1 under certain situations and RSA 198:61 requires the DRA to certify payout amounts to the State Treasurer within 120 days for payments to be made. Therefore, additional language may be needed to effectuate this change.

There appears to be an error in the determination of the amount of tax relief available to a L&M relief claimant proposed in Section 6. Based on the proposed income brackets, the allowable claim would be reduced to zero percent for single person with household income more than $63,000, as opposed to the proposed $65,000. Similarly for head of household or a married person, the allowable claim would be reduced to zero percent when household income more than $75,500 as opposed to the proposed $77,500.

Additionally, the $22,500 figure used in RSA 198:57, IV(d)(1)(B), appears to be an error, with the correct amount being $25,000 according to the income brackets for single applicants.

Section 8 of the proposed legislation creates a committee to study the L&M program, which will receive the assistance of the Commissioner of the DRA. The committee shall study options for expanding the L&M program, including to renters, and options of how to estimate the fiscal impact of various changes to the L&M program. The committee is also tasked with studying options for a statewide property tax deferral program for those temporarily unable to pay their property taxes.

Section 8 of the proposed legislation is effective upon passage and the remainder is effective July 1, 2023, which the DRA interprets to mean that it will first apply to property taxes assessed on April 1, 2024.

The DRA believes that we could administer Section 1 through 6 of the proposed legislation 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 over to DRA. In addition, the proposed mailings stated in Section 7 would also result in an increase to DRA administrative costs.

The DRA is unable to determine the fiscal impact of Section 7 and 8 the proposed legislation because we do not have all the data needed to calculate the fiscal impact. However, because the proposed legislation would increase the maximum qualifying household income, the maximum qualifying homestead value, and the income thresholds for award determination, all with respect to the amount of tax relief available to the claimant, the DRA assumes there will both an increase in claimants and an increase in relief amounts, which will result in an indeterminable increase to state expenditures in an amount up to $30 million, which is the program cap. The DRA would require additional appropriations in indeterminable amount to pay these additional claims beginning in FY 2025.