

New Hampshire Department of Revenue Administration

Fiscal Note Quick Guide

23-0158.0

HB 649, *repealing the collection of the state education property tax.*

House Education

The proposed legislation repeals RSA 76:3 the statewide education property tax (SWEPT) and amends RSA 198:39, I to require the State to deposit general funds in the amount of \$363,000,000 annually into the education trust fund (ETF).

The Commissioner of the DRA's requirement to determine a municipality's tax base for the SWEPT and to calculate the portion of SWEPT to be raised by each municipality in RSA 76:8 is removed. Authority shall be given to municipalities to assess local property taxes under RSA 198:5 to fund school district appropriations not funded by the ETF or by other revenue sources. RSA 198:5 authorizes the selectmen of towns to make assessments to cover appropriations for support of public schools.

The proposed legislation amends the Utility Property Tax ("UPT") statute RSA 83-F:9 to remove the reference to SWEPT. Persons and property that are subject to UPT continue to be subject to taxation under RSA 76. This shall include the potential taxes for school district appropriations from the proposed reenacted RSA 76:8.

RSA 21-I:18, I(1) and RSAs 198:56 through 198:61, relative to the low and moderate income homeowners property tax relief program are to be repealed. Funding from the education trust fund to the low and moderate income homeowners property tax relief is also removed.

The proposed legislation would take effect on July 1, 2023.

The repeal of SWEPT and the reallocation of the funding of the \$363,000,000 into the ETF, from being funded from SWEPT to being funded from the General Fund. This will result in an increase to State expenditures by \$363,000,000 annually in the General Fund. Under current law, the SWEPT, sufficient to generate revenue of \$363,000,000, is imposed on all persons and property taxable pursuant to RSA 76:8 except for property subject to the Taxation of Railroads or the Utility Property Tax. Each municipality collects the SWEPT on behalf of the State and retains the SWEPT locally to fund public education. Although locally retained, the total amount of SWEPT collected by the municipalities is still recognized by the State as revenue to the ETF. The reduction in SWEPT revenue is offset by the General Fund transfer of the same amount, resulting in a net zero impact to the ETF. Further, there is an indeterminable decrease related to local expenditures as municipalities will no longer collect the SWEPT on behalf of the state.

The DRA believes that these changes will require modification to the DRA's Municipal Tax Rate Setting Portal (MTRSP), which is utilized by municipalities to input data necessary for the DRA to

set property tax rates. The MTRSP changes would have an indeterminable one-time cost, that would likely be incurred in FY 2025.

The DRA is unable to determine the fiscal impact of the proposed legislation to repeal the low and moderate income homeowners property tax relief program. However, a repeal of the tax relief will result in an indeterminable decrease in State expenditures. A static analysis using data from tax year 2021 shows that the State paid tax relief in the amount of \$1.4 million.

The proposed legislation requires persons or property subject to UPT to be potentially subject to additional assessments to fund school district appropriations of the proposed RSA 76:8. Municipalities that charge the additional assessment shall see an increase in municipal revenue. There may be an indeterminable increased expense to municipalities in administering this additional assessment.

The proposed legislation would take effect July 1, 2023. The DRA interprets this proposed effective date as first impacting property taxes assessed on April 1, 2024, however the DRA recommends the addition of an applicability date that coincides with the start of the property tax taxable period (April 1) to avoid confusion regarding the intended timing of the application of this proposed legislation.