

New Hampshire Department of Revenue Administration

Fiscal Note Quick Guide

25-1098.0

SB 173, relative to residential property subject to housing covenants under the low-income housing tax credit program.

Commerce

This bill provides that residential property subject to a housing covenant under the low-income housing tax credit program shall be assessed an amount equal to 10 percent of the net rental income and certain other income.

The proposed legislation simplifies the assessing methodology applicable to property subject to housing covenants under the Low-Income Housing Tax Credit Program (LIHTC).

In Section 1 of the proposed legislation, RSA 75:1-a is repealed and reenacted with the following substantive changes:

- Removes the “income approach” from subsection V, describing the methods to be utilized in determining tax liability for a subject property.
- Makes property tax equal to 10 percent of the “net” (formerly “actual”) rental income and other income in all cases.
- Rewords subsection VI to remove the income approach from the “assessed value” calculation.
- Removes most of the definitions from subsection VIII.
- Removes the provision in subsection VIII (a) that requires DRA to compute an annual market capitalization rate for the geographic areas containing subject properties.
- Moves the definition of “other income” from subsection VIII (e) to new subsection VIII.
- Removes subsection IX, requiring DRA to adopt rules for how capitalization rates shall be established.

The effective date of the proposed legislation is July 1, 2025.

In light of the foregoing changes, DRA believes the language in RSA 75:1-a, VI and VII (p. 2, lines 3-9) may also be unnecessary and if so, suggests deleting it from the reenacted law with appropriate renumbering to avoid confusion, since an “assessed value” is no longer utilized in determining an appraised value.

DRA also notes that the term “net rental income” on page 2, line 2 is new and would benefit from being defined. If it is intended that the term should have the same meaning as “actual

rental income” in the current statute, or that the language from section VII of the current statute should be incorporated into the term, DRA suggests that a clearer definition be provided to avoid confusion.

The proposed legislation affects property valuation for local property tax purposes and will not impact state revenues.

The proposed legislation will not result in any additional administrative costs for DRA.