New Hampshire Department of Revenue Administration

Commission to Study School Funding

This presentation is intended for informational purposes only, and is not a substitute for seeking professional advice or for reviewing the applicable laws and rules. This presentation represents some positions of the Department on the limited issues discussed herein, based on the law in effect at the time of the presentation and Department interpretation thereof, as well as the opinions and conclusions of its presenter.

For the current status of any tax law, practitioners and taxpayers should consult the source documents (i.e., Revised Statutes Annotated, Rules, Case Law, Session Laws, etc.) for independent verification.
Statewide Property Tax (SPT): Taxpayer Pays Directly to State (DRA)

• Question: Could a SPT be billed and collected directly by the state?

• Answer: Yes, with additional staff, technology, and other resources.
  – The upper limit of the number of individual SPT tax bills that the DRA would be responsible for calculating, preparing, and forwarding can be approximated using the total number of CAMA (Computer Assisted Mass Appraisal) parcel records found in the Mosaic database.
SPT: Taxpayer Pays Directly to State (DRA)

- The snapshot below shows 709,560 total parcels in the state.

<table>
<thead>
<tr>
<th>COUNTY</th>
<th>Town Name</th>
<th>2019 TOTAL CAMA RECONE</th>
<th>Not Code</th>
<th>11 SINGLE FAMIL</th>
</tr>
</thead>
<tbody>
<tr>
<td>MERRIMACK</td>
<td>Webster</td>
<td>1,594</td>
<td>-</td>
<td>740</td>
</tr>
<tr>
<td>GRAFTON</td>
<td>Wentworth</td>
<td>1,054</td>
<td>-</td>
<td>422</td>
</tr>
<tr>
<td>CHESHIRE</td>
<td>Westmoreland</td>
<td>1,108</td>
<td>-</td>
<td>592</td>
</tr>
<tr>
<td>COOS</td>
<td>Whitefield</td>
<td>1,837</td>
<td>-</td>
<td>863</td>
</tr>
<tr>
<td>MERRIMACK</td>
<td>Wilmet</td>
<td>1,094</td>
<td>-</td>
<td>574</td>
</tr>
<tr>
<td>MERRIMACK</td>
<td>Wilton</td>
<td>2,016</td>
<td>-</td>
<td>1,153</td>
</tr>
<tr>
<td>HILLSBOROUGH</td>
<td>Winchester</td>
<td>2,613</td>
<td>-</td>
<td>1,060</td>
</tr>
<tr>
<td>ROCKINGHAM</td>
<td>Windham</td>
<td>6,464</td>
<td>-</td>
<td>4,758</td>
</tr>
<tr>
<td>HILLSBOROUGH</td>
<td>Windsor</td>
<td>332</td>
<td>-</td>
<td>85</td>
</tr>
<tr>
<td>CARROLL</td>
<td>Wolfeboro</td>
<td>5,921</td>
<td>-</td>
<td>2,932</td>
</tr>
<tr>
<td>GRAFTON</td>
<td>Woodstock</td>
<td>2,021</td>
<td>-</td>
<td>469</td>
</tr>
</tbody>
</table>

| COUNTS       | TOTALS      | 83 | 369,105 |

- In comparison, the Utility Property Tax requires 95-100 individual tax bills.
- The three largest taxes that the DRA administers (Business Taxes, Meals & Rooms Tax, and Interest & Dividends Tax) involve regular interactions with around 125,000 individuals and entities, many of whom have an obligation to file but don’t owe tax.
- It is likely that a State administered SPT would involve at least 500,000 to 600,000 billing and collection interactions.
SPT: Taxpayer Pays Directly to State (DRA)

• State Workforce and Technology Considerations:
  – The Mosaic database would need to be examined to insure that it is receiving the taxable value in cases (must included accounting for exemptions/credits).
  – A decision would need to be made about whether the tax would be added to the DRA’s currently technology implementation project (Revenue Information Management System or “RIMS”).
  – The flow of funds to a school district would need to be addressed. At present SPT funds move from municipality to school district pursuant to district level schedules agreed upon between each municipality and school district.
  – Collection of delinquent taxes and examination of the role of DRA in possible property tax lien placing or deeding would need to be researched but would likely require additional collections staff and legal resources.
SPT: Taxpayer Pays Directly to State (DRA)

• Question: Does the DRA have any information on how other states administer a direct state-to-taxpayer property tax?

• Answer: No, but the state of Vermont is apparently investigating a similar approach and we could initiate a discussion.
SPT: Taxpayer to Municipality to State (DRA)

• Question: Could the SPT flow to the State (via the Municipality) rather than to the School Districts?
• Answer: Yes, but there are cash flow considerations.
• SPT could be billed and collected by the 259 towns, cities and unincorporated places [RSA 53] and then transmitted to the State (DRA).
• Pursuant to existing law (RSA 76:8, II and RSA 198:5) municipalities and school districts agree to a schedule of payments which the school district determines, the sum of which will total the warranted amount of SPT. This type of arrangement was recently the subject of a suit in the Carroll County Superior Court (Governor Wentworth Regional School District v. Town of Ossipee, 2019). The court upheld the authority of the school district to determine the payment schedule.
• If the municipalities were to direct SPT funds directly to the State (DRA), any new law would need to clarify with what frequency or schedule the SPT would move to the State.
SPT: Taxpayer to Municipality to State (DRA)

- Cash Flow Considerations – Conditions Under Current Law:

  259 Municipal Entities Collect Property Taxes
  6   Collect Annually
  4   Collect Quarterly
  249 Collect Semi-Annually

- County Taxes are collected by the municipality and paid to the respective county annually (on or before December 17th per RSA 29:11).
- Local Education Taxes and Statewide Property Taxes are collected by the municipality and paid to the local school district “as the school board shall require” per RSA 198:5. These requirements become the basis for a “payment schedule” between the municipality and the respective school district.
Low and Moderate Income Homeowners Property Tax Relief Program (L&M Program) RSA 198:56 – 198:61

• Question: Can the DRA model L&M Program funding requirements caused by changes program income limits?

• Answer: Not at present. The lack of information about all property tax owners and their respective income levels precludes forecasting the impact of any changes to the L&M income limits.
Low and Moderate Income Homeowners Property Tax Relief Program (L&M Program) RSA 198:56 – 198:61

• Question: How would changes to the home value limit impact L&M program funding requirements?

• Answer: Unknown. Although we do have data regarding property values, until we can tie that data to income data, an estimate cannot be made.
Residence Exemption

• Question: How could an SPT “residence exemption” work?
• Answer: As with other property tax exemptions, the taxpayer would have a portion of their property value exempted from the SPT. This change would take place at the local municipal level, would be reflected on the local assessing records and would result in a lower SPT payment by the individual taxpayer.

• Question: Could a “residence exemption” be part of the L&M Program?
• Answer: No. Although both the L&M Program and a “residence exemption” benefit the individual property taxpayer, the L&M is a “refund” of SPT already paid (RSA 198:61 “Refund of Tax Claims”). The “residence exemption” would provide its benefit before a SPT bill was calculated and prepared at the local level and would not be required for the L&M processing at the State level.
Property Tax Rates by Property Class

• Question: Can the Municipal Tax Rate Setting Portal (MTRSP) accommodate using different tax rates for different classes of property?

• Answer: Yes, but this would involve a significant re-design of the MTRSP tax rate module and the associated MS-1 (Summary of Property Values) in the Equalization Portal. While any more specific cost estimate would require more details, it is thought to be in the $200,000 level.