

New Hampshire

Highlights

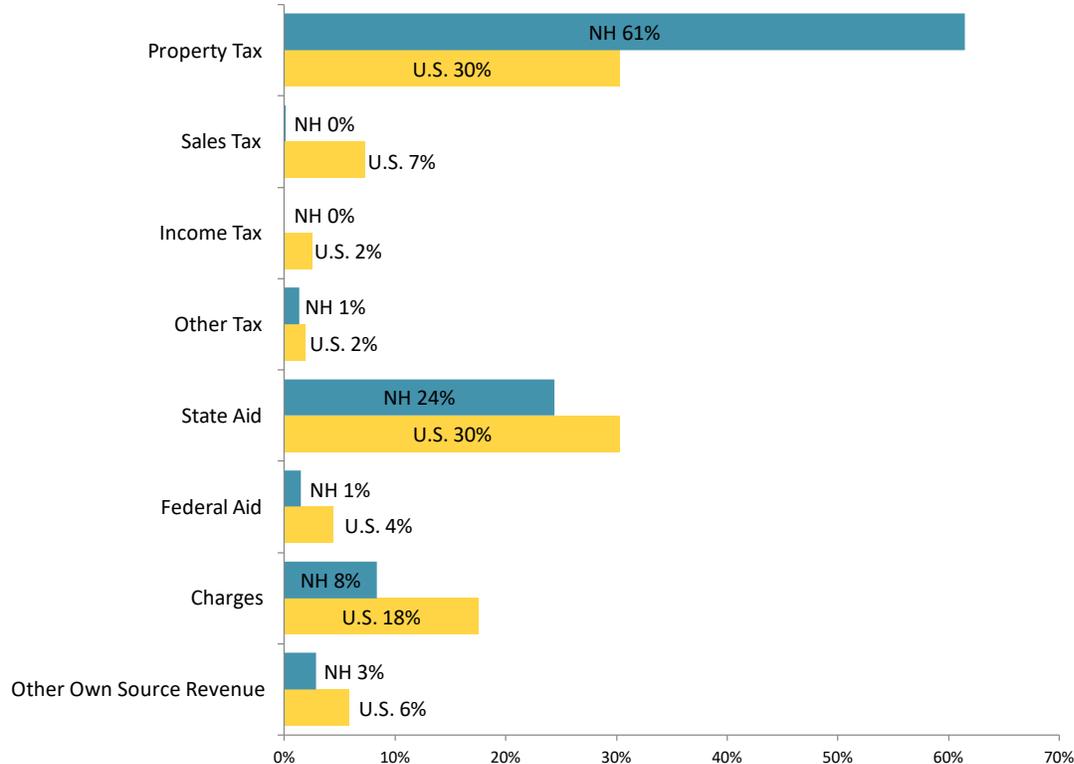
New Hampshire levies neither a broad-based personal income tax nor a sales tax. (Alaska is the only other state to do without both taxes.) As a result, New Hampshire relies very heavily on the property tax (figure NH-1).

Historically, New Hampshire relied primarily on local property taxes to fund public education, with state aid accounting for a small share of total education funding. New Hampshire adopted a statewide property tax as part of a package of education funding reforms enacted in 1999.

New Hampshire makes extensive use of current use assessment for farms, forests, and wetlands. A constitutional amendment enacted in 1968 provides for assessment of eligible rural lands below market value (Anderson and England 2014). In 2019, over half of the Granite State’s land area was enrolled in the state’s current use assessment program (New Hampshire Department of Revenue Administration 2021).

Figure NH-1

Sources of Local General Revenue, New Hampshire and U.S., 2020



Source: U.S. Census via Significant Features of the Property Tax

Property Tax Reliance

In 2020, property tax as a percentage of state and local revenue was higher in New Hampshire than in any other state. New Hampshire ranks in the top four states along all common measures of property tax burden (table NH-1).

Table NH-1
Selected New Hampshire Property Tax Statistics, 2020¹

	New Hampshire	U.S. Average	Rank (of 51) <i>1 is highest</i>
Per capita property tax	\$3,285	\$1,810	4
Property tax percentage of personal income	4.9%	3.1%	3
Total property tax as percentage of state-local revenue	33.7%	16.6%	1
Median owner-occupied home value ²	\$272,300	\$229,800	17
Median real estate taxes paid for owner-occupied home ²	\$5,796	\$2,551	3
Effective tax rate, median owner-occupied home ³	2.1%	1.1%	4

Sources: [U.S. Census via Significant Features of the Property Tax](#), American Community Survey

¹ All revenue numbers in this table include the state government as well as local governments.

² The statistics for [median owner-occupied home value](#) and [median real estate taxes paid for owner-occupied home](#) are five-year average statistics for years 2016–2020.

³ Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

Administration and Assessment

In New Hampshire, property taxes are levied by the state government and by hundreds of local taxing districts, including county governments, cities, towns, independent school districts, and special districts (State of New Hampshire 2022). Assessments are conducted at the local level (table NH-2). All property that is not tax-exempt or enrolled in the current use program is assessed at 100 percent of market value (Delay, Barrick, and Norton 2012).

Limits on Property Taxation

New Hampshire places no statewide limit on property tax rates or levies and has no statewide revenue limit or expenditure limit (Significant Features of the Property Tax).

Property Tax Relief and Incentives

A property tax circuit breaker program called the Low and Moderate Income Homeowner's Property Tax Relief program provides relief to homeowners based on income for their statewide education property

tax liability only. Individuals with income below \$20,000 and married people or heads of household with household incomes below \$40,000 are eligible for a refund of up to 100 percent of the statewide education property tax paid on \$100,000 of assessed value. New Hampshire authorizes local governments to provide exemptions for special groups, including veterans and disabled homeowners (Significant Features of the Property Tax).

New Hampshire provides only two statewide property tax incentives for economic development, relying instead on its overall low tax burden to promote economic development. The first incentive is a tax increment financing program called the Municipal Economic Development and Revitalization Districts program. The second program, called the Community Revitalization Tax Relief Incentive, allows municipalities to offer a property tax incentive for rehabilitation or replacement of historic structures and existing residential or business structures in qualifying areas, such as town centers. This incentive applies broadly to residential and historic structures as well as to business properties.

Table NH-2
New Hampshire Property Tax Features, 2021

Feature	New Hampshire	Count for 50 states plus DC
Statewide classification of real property	No	25
Assessment of property primarily by county	No	31
Limits on property tax rates or levies	No	45
Limits on the rate of growth of assessed value	No	17
Circuit breaker property tax relief program	Yes	31

Sources: Significant Features of the Property Tax

Key Property Tax History

From 1993 to 2008, a series of state court cases, which came to be known as the *Claremont* decisions, led to an overhaul of the public school funding system and reform of local property tax administration. Before then, state aid for education in New Hampshire provided only 8 percent of K-12 revenue, the lowest level in the nation (England 2008; Kenyon 2007). Underassessment of property was widespread; and in many communities, property revaluations were infrequent despite a constitutional requirement to revalue property every five years (England 2008).

In the decision known as *Claremont II*, the New Hampshire Supreme Court mandated that the state “define a constitutionally adequate education; determine the cost of such an education; fund an adequate education throughout the state; and ensure its delivery through an accountability system”

(SchoolFunding.Info). Furthermore, *Claremont II* (1997) ruled that the state “must fund an adequate education with proportional and reasonable taxes” (Paquin et al. 2023), and the *Sirrell* decision (2001) mandated that the state enforce the constitutional requirement that municipalities reassess properties every five years.

In 1999, New Hampshire imposed a statewide property tax and a motor vehicle rental tax and increased its business profits tax, business enterprise tax, and real estate transfer taxes in order to increase state education aid (England 2008; Paquin et al. 2023). However, the new statewide property tax was collected locally, and most of the funding was retained locally. The Department of Revenue Administration and two new state boards were given power to regulate local property tax assessments (England 2008). The New Hampshire Supreme Court terminated its jurisdiction in these school finance matters in 2008, when it dismissed *Londonderry School District v. State*.

In August 2015, the city of Dover, represented by the attorney for the *Claremont I* plaintiffs, sued the state over an 8 percent cap on year-to-year increases in state aid under the state’s education funding formula which had been in place since 2011 (Moon 2015; SchoolFunding.Info). In September 2016, Sullivan County Court Judge Brian Tucker ruled in favor of the plaintiffs, finding that the cap violated the state’s “exclusive obligation to fund a constitutionally adequate education.” Although the court ruling prohibited the state from withholding funds under the cap, it did not order the state to pay back funds for prior fiscal years (SchoolFunding.Info).

Although state support has declined since 1999, local property tax revenues for K-12 education have grown steadily, even through recessions, serving as a back stop for state aid. Although New Hampshire has achieved revenue stability and high student achievement, the state continues to fight litigation over the adequacy and equity of its school funding system (Kenyon and Munteanu 2022).

In early 2019, a handful of New Hampshire school districts filed a suit, *Contoocook Valley School District v. State of New Hampshire*, claiming that the state had failed to fulfill its constitutional obligation to provide an adequate education. They argued that the base aid amount of \$3,562.71 per student that was calculated by the legislature in 2008 was not enough to cover the cost of education in any New Hampshire school district (Associated Press 2019). The case went to trial in May 2023, but the judge had not yet issued a ruling as of August 2023. A second case filed in 2022, set for trial in September 2023, challenges the constitutionality of New Hampshire’s school funding system based on the disparities in tax rates between school districts and insufficient state support.

Recent Developments

In June 2019, Superior Court Judge David Ruoff ruled the state's school funding formula unconstitutional in *Contoocook Valley School District v. State of New Hampshire*. Fifteen other school districts joined in the lawsuit (Stinneford 2021). While the court found that the base aid amount was inadequate, it did not offer an alternative amount and left the decision to legislators (Associated Press 2019). The New Hampshire Supreme Court heard an appeal of the case in September 2020 and remanded the case to the county superior court for a full trial. The trial was held in May 2023. The plaintiffs argued that the

Supreme Court noted that the trial court has the responsibility to determine the components of an adequate education and ascertain the costs, while the state asserted that lawmakers have the authority to define adequacy and have broad discretion over how to fund it. As of August 2023, Judge Ruoff has not delivered a ruling in the case (Rogers 2023).

A separate case filed in 2022 claims the state adequacy aid is insufficient, school districts rely too heavily on property taxes, and that disparities in tax rates violate the state's uniformity clause. The plaintiffs represented by the lead attorney in the *Claremont* cases will present arguments in a trial set for September 2023 (O'Grady 2022).

New Hampshire enacted a fiscal year 2024 and fiscal year 2025 budget that increases state per-pupil funding for public education, sending an additional \$141 million to schools over the next two years, and also revises the school funding formula, targeting more funding to needy districts. The legislation increased base adequacy aid about 8 percent to \$4,100 per student and increased the additional per-pupil funding schools receive for special education, English language learners, and students eligible for free and reduced-price meals.

In October 2022, Massachusetts and New Hampshire settled a case over taxes on flood control facilities that are located in New Hampshire. Massachusetts agreed to pay New Hampshire communities \$3.5 million to offset lost property tax revenue. Massachusetts had not made payments since 2014 (Associated Press 2022).

Resources

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