

New Hampshire

Highlights

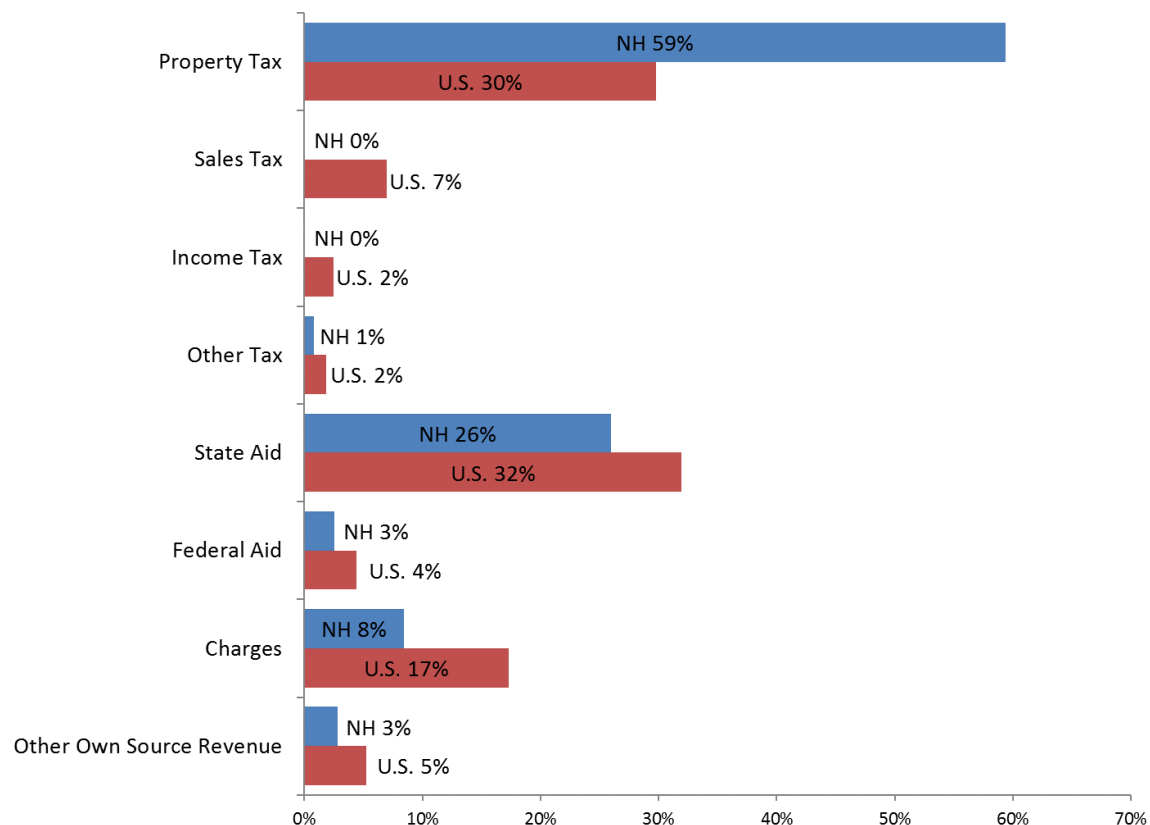
New Hampshire levies neither a broad-based personal income tax nor a sales tax (Alaska is the only other state to do without both taxes). As a result, New Hampshire relies very heavily on the property tax (figure NH-1).

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. In 2010, more than 51 percent of the Granite State's land area was enrolled in the state's current use assessment program (Anderson and England 2014, 7).

Figure NH-1

Sources of Local General Revenue, New Hampshire and U.S., 2014



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

Property Tax Reliance

In 2014, property tax as a percentage of state and local revenue and property tax as a percentage of personal income were higher in New Hampshire than in any other state (table NH-1).

Table NH-1
Selected New Hampshire Property Tax Statistics, 2014¹

	New Hampshire	U.S. Average	Rank (of 51) <i>1 is highest</i>
Per capita property tax	\$2,859	\$1,464	3
Property tax percentage of personal income	5.3%	3.2%	1
Total property tax as percentage of state-local revenue	38.1%	16.9%	1
Median owner-occupied home value ²	\$237,300	\$178,600	14
Median real estate taxes paid for owner-occupied home ²	\$5,100	\$2,149	3
Effective tax rate, median owner-occupied home ³	2.1%	1.2%	3

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 2011-2015.

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 461 local taxing districts, including county governments, cities, towns, independent school districts, and special districts (State of New Hampshire 2014). Assessments are conducted at the local level (table NH-2). All 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.

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 provides only two 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
Property Tax Features of State Governments, United States, 2015

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	19
Circuit breaker property tax relief program	Yes	34

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 2007a). 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” (Kenyon 2007a), and the *Sirrell* decision (2001)

mandated that the state enforce the 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 (Kenyon 2007a and England 2008). But 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, 203). The New Hampshire Supreme Court terminated its jurisdiction in these school finance matters in 2008, when it dismissed *Londonderry School District v. State*.

Recent Developments

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 and SchoolFunding.Info). In September 2016, Sullivan County Court Judge Tucker ruled in favor of 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 in prior fiscal years (SchoolFunding.Info).

Since 2011, two of New Hampshire's largest electric utilities have sought property tax abatements from 64 towns on the grounds that their property tax assessments were too high. Apparently municipal property tax assessments for these utilities have been higher than the state government's assessments under the state's utility property tax. However, on June 2, 2017, the New Hampshire Supreme Court ruled against the electric utilities and in favor of the municipalities (Ramer 2017).

Resources

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