

Bill as
Introduced

HOUSE BILL ***1146-LOCAL***

AN ACT relative to tax increment financing.

SPONSORS: Rep. Patten, Carr 9

COMMITTEE: Municipal and County Government

ANALYSIS

This bill provides for the method of determining tax increments and tax rates for certain towns which adopted tax increment financing plans.

This bill is a request of the department of revenue administration.

Explanation: Matter added to current law appears in ***bold italics***.
 Matter removed from current law appears ~~[in brackets and struck through]~~
 Matter which is either (a) all new or (b) repealed and reenacted appears in regular type.

STATE OF NEW HAMPSHIRE

In the Year of Our Lord Two Thousand

AN ACT relative to tax increment financing.

Be it Enacted by the Senate and House of Representatives in General Court convened:

1 1 Municipal Economic Development and Revitalization Districts; Computation of Tax
2 Increments; Taxable Property. Amend RSA 162-K:10, II to read as follows:

3 II. Any amount by which the current assessed value of a development district exceeds the
4 original assessed value is referred to as the captured assessed value. The assessors shall determine
5 the amount of the captured assessed value each year.

6 (a) The tax increment financing plan shall designate the portion of captured assessed
7 value which will be dedicated for retirement of bonds and notes *and the portion of captured*
8 *assessed value which will be dedicated to the operation and further development of the tax*
9 *increment financing district.*

10 (b) ~~[The municipality shall annually allocate the captured assessed value in excess of~~
11 ~~that necessary for dedicated tax increments for purposes of tax increment financing, according to one~~
12 ~~of the 2 following options:~~

13 ~~(1) The excess captured assessed value may be fully used to finance the development~~
14 ~~program; or~~

15 ~~(2) A portion of the excess captured assessed value may be used to finance the~~
16 ~~development program of the district and only that portion shall be set aside and the remainder shall~~
17 ~~be included with the other general tax revenues.] The portion of captured assessed value which~~
18 ~~is not used either for the purpose of retirement of bonds and notes or for the purpose of the~~
19 ~~operation and development of the tax increment financing district shall be deemed excess~~
20 ~~captured assessed value. Excess captured assessed value shall be returned to the tax lists.~~

21 2 Computation of Tax Increments; Determination of Rates. Amend RSA 162-K:10, III(a)(2) to
22 read as follows:

23 (2) If the municipality retains only a portion of the ~~[excess]~~ captured assessed value
24 for the development district and returns the remaining portion to the tax lists, the assessors shall
25 include the current assessed value, to be used as a basis to equalize annually the valuation of
26 property throughout the state, and that portion of the ~~[excess]~~ captured assessed value which the
27 municipality does ~~[not]~~ retain, to be deducted from the current assessed valuation for the calculation
28 of the property tax *rate*. The assessors shall extend all rates against the total current assessed
29 value~~[, including that portion of the captured assessed value which the municipality is retaining for~~
30 ~~the development district only]~~. In each year for which the current assessed value exceeds the

1 original assessed value, the municipal tax collector shall remit to the municipality that proportion of
2 all taxes [paid] *billed* on real property in the district that the retained captured assessed value
3 bears to the total current assessed value in the district. The amount so remitted each year is
4 referred to as the tax increment.

5 3 Towns Adopting Tax Increment Financing Districts Before April 29, 1999; Method of
6 Calculation. Amend RSA 162-K:10, III(b) to read as follows:

7 (b) The general court finds that municipalities that have adopted a tax increment
8 financing plan and issued tax increment financing plan bonds under this chapter before April 29,
9 1999, or which have adopted a tax increment financing plan and entered into contracts and incurred
10 liabilities in reliance upon the tax increment plans under this chapter before April 29, 1999, have
11 incurred obligations which must be honored. The general court recognizes also that in accordance
12 with the intent of this chapter, such obligations were entered into in order to accomplish a public
13 purpose and for the improvement of development in municipalities. Accordingly, the provisions of
14 subparagraph III(a) shall not apply to tax increment financing plan districts which authorized and
15 issued tax increment bonds under this chapter before April 29, 1999 or which adopted a tax
16 increment financing plan under this chapter and entered into contracts and incurred financial
17 liabilities in reliance upon such tax increment plan before April 29, 1999. This subparagraph shall
18 only apply to tax development districts as they existed as of April 29, 1999. To the extent such tax
19 increment financing plan is amended to increase the amount of bonded indebtedness, to increase the
20 cost of the development program, or to extend the duration of the program's existence, this
21 subparagraph shall not apply. *The assessors shall determine assessed valuation and tax*
22 *increments according to the following method:*

23 (1) *If the municipality retains the full captured assessed value for the*
24 *development district, the assessors shall certify to the commissioner of revenue*
25 *administration for the purposes of the report required by RSA 21-J:34, no more than the*
26 *original assessed value of the real property in the development district. The assessors shall*
27 *extend all rates as established by the commissioner of revenue administration under the*
28 *provisions of RSA 21-J:35 against the current assessed value, including all captured*
29 *assessed value. In each year for which the current assessed value exceeds the original*
30 *assessed value, the municipal tax collector shall remit to the municipality that proportion*
31 *of all taxes billed that year on real property in the district which the captured assessed*
32 *value bears to the total current assessed value. That amount is referred to in this section*
33 *as the tax increment for that year.*

34 (2) *If the municipality retains only a portion of the captured assessed value*
35 *for the development district and returns the excess to the tax lists, the assessors shall*
36 *certify to the commissioner of revenue administration for the purposes of the report*
37 *required by RSA 21-J:34 the original assessed value and that portion of the captured*

1 *assessed value which is shared with all the affected taxing district for the purposes of*
2 *determining the assessed value for computing property tax rates. The commissioner of*
3 *revenue administration shall compute the rates of all taxes levied by the state, county,*
4 *municipality, school district and every other taxing district in which the district is located*
5 *on this aforementioned assessed value. The assessors shall extend all rates against the*
6 *total current assessed value, including that portion of the captured assessed value which*
7 *the municipality is retaining for the development district only. In each year for which the*
8 *current assessed value exceeds that original assessed value, the municipal tax collector*
9 *shall remit to the municipality that proportion of all taxes paid on real property in the*
10 *district that the retained captured value bears to the total current assessed value in the*
11 *district. That amount is referred to as the tax increment for that year.*

12 4 Effective Date. This act shall take effect April 1, 2000.

13

Amendments

Amendment to HB 1146-LOCAL

1 Amend the bill by replacing section 2 with the following:

2
3 2 Computation of Tax Increments; Determination of Rates. Amend RSA 162-K:10, III(a)(1) and
4 (2) to read as follows:

5 (1) If the municipality retains the full [excess] captured assessed value for the
6 development district the assessors shall certify to the commissioner of revenue administration, for
7 the purposes of the report required by RSA 41:15, the current assessed value, as the basis to equalize
8 annually the valuation of property throughout the state, and the full [excess] captured assessed
9 value, to be deducted from the current assessed valuation for the calculation of the property tax rate.
10 The assessors shall extend all rates as established by the commissioner of revenue administration
11 under the provisions of RSA 41:15 against the current assessed value, including all captured
12 assessed value. In each year for which the current assessed value exceeds the original assessed
13 value, the municipal tax collector shall remit to the municipality that proportion of all taxes paid
14 that year on real property in the district which the captured assessed value bears to the total current
15 assessed value. The amount so remitted each year is referred to in this section as the tax increment
16 for that year.

17 (2) If the municipality retains only a portion of the [excess] captured assessed value
18 for the development district and returns the remaining portion to the tax lists, the assessors shall
19 include the current assessed value, to be used as a basis to equalize annually the valuation of
20 property throughout the state, and that portion of the [excess] captured assessed value which the
21 municipality does [not] retain, to be deducted from the current assessed valuation for the calculation
22 of the property tax rate. The assessors shall extend all rates against the total current assessed
23 value, ~~including that portion of the captured assessed value which the municipality is retaining for~~
24 ~~the development district only~~. In each year for which the current assessed value exceeds the
25 original assessed value, the municipal tax collector shall remit to the municipality that proportion of
26 all taxes [paid] billed on real property in the district that the retained captured assessed value
27 bears to the total current assessed value in the district. The amount so remitted each year is
28 referred to as the tax increment.

Committee Minutes

Date: April 18, 2000
Time: 2:45 PM
Room: 105-SH

The Senate Committee on Energy Economic Development held a hearing on the following:

HB 1146-L relative to tax increment financing.

Members of Committee present:

Senator F. King
Senator Below
Senator Disnard
Senator Johnson
Senator Fraser

The Chair, Senator Frederick W. King, Sr., opened the hearing.
Senator Frederick W. King, D. 1: I'm going to open the hearing on House Bill 1146. This bill provides for the method of determining tax increments and tax rates for certain towns which adopted tax increment financing plans. I'm going to call on the Primary Sponsor, Representative Patten.

Representative Betsey Patten: Thank you Mr. Chairman and members of the committee. For the record I am Betsy Patten and I represent Carroll County District 9. I am also on the Municipal and County Government Committee.

We passed this out of the House. And my testimony to the House was that I was at the DRA at the right time, at the right place when Andrea Reed got me and said we need to fix how we calculate the tax increment financing districts now that the infamous House Bill 117 passed. So I would appreciate you if you have any questions to wait for the Commissioner Arnold to answer them because he'll know a lot more than I do about it. But we did think that it was good and I would just like you to consider passing it and refer any questions to someone else.

Senator Frederick W. King, D. 1: Thank you. Mr. Arnold?

Commissioner Stanley Arnold: Thank you Mr. Chairman and members of the committee. For the record my name is Stanley Arnold. I am the Commissioner for the Department of Revenue Administration.

Just to give you a little history, I think it makes it a little easier to understand here. When we were doing House Bill 117 the issue came up on tax increment financing districts and how they should be treated. The concern that eventually was narrowed down to were those communities that had already established tax increment financing and actually had made a commitment. Made loans based on that and made commitments based on that.

The decision was made by the legislature to grandfather those districts so that basically we don't capture that property value on the statewide property tax. It remains available for financing that district. The problem we had of course is so many things were happening to House Bill 117 as it was going through. We had eliminated in another provision the section where the grandfathering language was. So now we had clearly indicated that they were grandfathered but they had no language with which to follow. That was the prime purpose of this bill was to put the language back in as it was.

When we got to the House the Municipal Association also had looked at this and asked if they could clarify some of the terms that were being used to make it more easily understood by the average citizen. And those were the changes that were made in the amendment in the House.

Barbara Reed, after it was passed in the House, was looking through the whole language of the bill and noticed that because of that change there are two additional changes that we need in paragraph 1, which was not even considered in the bill. It's not in the bill. I'll have that drafted and give to you. But if all it is is taking out the word "excess captured assessed values" in paragraph 3 of 162-K:10. It's not in this bill so... It was only after reading what had been passed with the clarification we know we want to change just those 2 words to make it clear. And we have talked to Municipal Association and they agree with that additional change.

So that's the history of where it is. And basically all the convoluted language that's in there is what we had had before to live with. But I'll try to answer your questions on this.

Senator Frederick W. King, D. 1: Questions for the Commissioner?

Senator Clifton Below, D. 5: Thank you Mr. Chairman. Commissioner do you have a sense of the financial impact of this or are you currently dealing with the tax increment districts consistent with this intent?

Commissioner Stanley Arnold: Right, consistent with this intent. There's no fiscal impact because we're not requiring that they report the information to us. I don't believe that they have done so. So it was not included in the state property tax base in the first place.

Senator Clifton Below, D. 5: Ok.

Commissioner Stanley Arnold: And that's really the only issue is the increased value whether it gets captured in that base. And since we already had those numbers that were fixed with 117 that's why we needed to make the change this year.

Senator Clifton Below, D. 5: Before we get into another cycle.

Commissioner Stanley Arnold: Before we get into the next cycle, right.

Senator Clifton Below, D. 5: Right, ok.

Senator Leo W. Fraser, Jr., D. 4: You mentioned the third change eliminating the word excessive?

Commissioner Stanley Arnold: No. What it has is not within the bill that you have. We were going to offer another amendment. I should have has it drafted for you. I apologize. That will be in the lead in paragraph to this to make the words consistent. It talks about right now the language that's in the bill that was not even subject to change talks about if the Municipality retains the full excess captured asses value. And that needs to be removed, excess. It needs to be if they retained the full captured asses value.

Senator Leo W. Fraser, Jr., D. 4: Just so I understand now if I may. You had intended that word be deleted but it wasn't...

Commissioner Stanley Arnold: Exactly. And we want to get it all done at the same time so we don't have to come back and revisit this hopefully for a long time.

Senator Frederick W. King, D. 1: So you'll bring in a committee amendment for us.

Commissioner Stanley Arnold: I'll get it for you by tomorrow.

Senator Frederick W. King, D. 1: How do communities who haven't already adopted TIF, are they treated differently?

Commissioner Stanley Arnold: Under the new system, right. If communities, if they adopt a TIF now they still can use the same basic financing idea except that the state property tax is not one of those elements. They have to pay the state property tax.

Senator Frederick W. King, D. 1: So they can't exempt for us, from a TIF district, the state wide property tax.

Commissioner Stanley Arnold: That's correct. And under a regular TIF what is occurring is they charge the full tax rate but they use the increment between what they need within that district, and ought to be able to pay off the bond.

Senator Frederick W. King, D. 1: So in order to advertise their bonds now they would only be able to use the municipal portion of it?

Commissioner Stanley Arnold: Municipal and the local schools if that's the agreement.

Senator Frederick W. King, D. 1: Other questions?

Senator Leo W. Fraser, Jr., D. 4: I guess now I'm confused again. What the bill is trying to do Commissioner is to grandfather the communities that should have been grandfathered prior to 117.

Commissioner Stanley Arnold: Right.

Senator Leo W. Fraser, Jr., D. 4: We're doing this before 117. Is that correct?

Commissioner Stanley Arnold: That's correct. That's exactly correct. And those communities are grandfathered under 117. We put the language in that clearly does but we refer back to a part of the statute that we eliminated later on in 117. So what we need to do is put that language back in. And now the Municipal Association has been working with the Department to try to get the language that's being put back in a little clearer so the people will understand what's happening.

Senator Frederick W. King, D. 1: Other questions? Thank you very much. Mike Farrell?

Mike Farrell: Good afternoon Senator King and committee members. My name is Mike Farrell. I'm the Town Administrator in Hooksett New Hampshire. Hooksett just adopted a TIF district this fall. I was originally coming here just to hear and listen to the discussion but since no one else signed up I thought I'd take advantage of the situation.

Tax increment financing is the best and probably the only economic development tool we have at the local level. It's a tremendous economic development tool. And ever since the state ran into problems finding money for Claremont every now and then it seems TIF is being pecked away at. This bill is just for clarification purposes and it seems innocuous enough and won't affect the concept in general.

But I just want to let you know what a great tool this is for us at the local level. And once again it's our only best tool to attract businesses and to make the communities more attractive for development. So every time I see a bill pertaining to TIF I worry. And I just wanted to put my concerns on the record and please leave TIF alone.

Senator Frederick W. King, D. 1: Are you comfortable with what this bill does?

Mike Farrell: Yes I understand that it's trying to fix what got messed up last session and that's fine. Unfortunately last session emasculated TIF pretty well with the taking away of almost a third of the ability to pay back TIF. Right now when we're able to use the full tax rate most TIF's, we would I know in Concord and in Keene were it's used very well the 15 year bond could be retired in 5 to 7 years. That's not the case now.

I would have been able to apply a \$20 rate to my bond that if we get final approval of it, now I'm only going to be able to apply \$13 of that. So it's going to extend the repayment by a third and keep that tax rate, that revenue, away from the general revenue for an extra period of time too. And it was unfortunate that happened I'd surely like to see it amended but I don't think it's in the cards this year.

Senator Frederick W. King, D. 1: So you're saying don't fool with it anymore.

Mike Farrell: That's what I'm saying Senator. Thank you.

Senator Frederick W. King, D. 1: Any other questions? Thank you very much. Is there anyone else that would like to testify on House Bill 1146? We'll have an amendment by the committee. I'm going to close the public hearing on 1146.

Hearing closed at 3:00 PM

*Respectfully submitted,
Jillian Nina Mason, Secretary*

Speakers

ENERGY & ECONOMIC DEVELOPMENT COMMITTEE

Date 4/18/00

Time 2:45 PM

Public Hearing on HB 1146-L

Appearing in **FAVOR**:

(Please print)

Please check box at left to speak.

Speaking?

Name

Address

Representing

X ☒	STAN ARNOLD	CONCORD	DRA
X ☒	MIKE FARRELL	Hooksett	Town of Hooksett
X ☒	Betsy Patten	Carroll 9	Moultonboro

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Appearing in **OPPOSITION**:

(Please Print)

Please check box at left to speak.

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Committee Report

Date: April 18, 2000

Time: 2:45 PM

The Senate Committee on Energy Economic Development held its hearing in Room 105-SH, Concord, New Hampshire.

BILL NO.: HB 1146-L

TITLE: relative to tax increment financing.

Members of the Committee present:

Senator F. King
Senator Cohen
Senator Below
Senator Johnson
Senator Fraser

Those appearing in favor:

Name and Address

Representing

See Attached.

Those appearing in opposition:

Name and Address

Representing

See Attached.

REPORT OF THE COMMITTEE:

- ☐ Ought to Pass
- ☒ Ought to Pass w/ Amendment
- ☐ Inexpedient to Legislate
- ☐ Rereferred

- ☐ Interim Study
- ☐ Continued Hearing
- ☐ Postponed Hearing

STATE OF NEW HAMPSHIRE
SENATE
REPORT OF THE COMMITTEE

Date:

THE COMMITTEE ON Energy Economic Development
to which was referred House Bill 1146-L

AN ACT relative to tax increment financing.

VOTE: 5-0

2000-4341s

Having considered the same, report the same with the following amendment and
recommend that the bill: **AS AMENDED OUGHT TO PASS.**

Senator Frederick W. King, Sr.
For the Committee

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|HB1146 Docket

[Next](#)|[Prev](#)|[Results List](#)|[Main](#)|[Bill Status](#)**Bill Title:** relative to tax increment financing.

<u>Date</u>	<u>Body</u>	<u>Description</u>
1/5/2000	H	Introduced and ref to Mun & Cnty Govt; HJ5, p89
1/5/2000	H	Copy to Chairman on 12/28/1999
1/5/2000	H	==CANCELLED==Hearing Feb 16 10:45 RM301,LOB
1/11/2000	H	Rescheduled Hearing Jan 20 10:45 RM301,LOB
3/8/2000	H	Maj Report OTP/AM for Mar 23 (vote 17-0;CC)
3/8/2000	H	Prop Comm Am{3603}; HC23, p686-687
3/23/2000	H	Passed with Am; HJ26, p813-814 + 851
3/23/2000	S	Introduced and Ref. to Energy & Economic Development; SJ 7, Pg.232
4/11/2000	S	Hearing April 18, Room 105 A, SH, 2:45 p.m.; SC22
5/10/2000	S	Committee Report Ought to Pass with Amendment{4341}, 05/11/2000, SC28, Pg.7-8
5/11/2000	S	Committee Report Ought to Pass with Amendment {4341}, AA, VV; OT3rdg, MA, VV; SJ 14, Pg.355-356
5/18/2000	H	House Conc with Senate Am, Rep Hess MA 2/3VV; HJ46, p1456
5/18/2000	S	Enrolled Bill, Adopted; SJ 15, Pg.534
5/18/2000	H	Enrolled; HJ46, p1498
6/1/2000	H	Signed by the Governor on 6/1/2000 Eff: 4/1/2000 Chap: 0222

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