

HB 1505-FN - AS INTRODUCED

2026 SESSION

26-2503  
07/06

HOUSE BILL            ***1505-FN***

AN ACT                requiring municipalities, towns, and cities to submit documentation to the department of revenue administration proving they are in compliance with local budget and tax caps.

SPONSORS:            Rep. Pauer, Hills. 36; Rep. Ammon, Hills. 42; Rep. Girard, Sull. 6; Rep. Granger, Straf. 2; Rep. Kofalt, Hills. 32; Rep. Lascelles, Hills. 14; Rep. McFarlane, Graf. 18; Rep. D. McGuire, Merr. 14; Rep. Sweeney, Rock. 25; Rep. Vose, Rock. 5; Sen. Avar, Dist 12; Sen. Gannon, Dist 23; Sen. Murphy, Dist 16

COMMITTEE:          Municipal and County Government

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ANALYSIS

This bill requires municipalities, towns, and cities to submit documentation to the department of revenue administration proving they are in compliance with local budget and tax caps.

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Matter which is either (a) all new or (b) repealed and reenacted appears in regular type.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

AN ACT requiring municipalities, towns, and cities to submit documentation to the department of revenue administration proving they are in compliance with local budget and tax caps.

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

1 1 New Paragraphs; The State and Its Government; Property Tax Rates; Reports Required.  
2 Amend RSA 21-J:34 by inserting after paragraph II the following new paragraphs:

3 II-a. For political subdivisions that have adopted a local tax cap under RSA 32:5-b, the  
4 governing body of the political subdivision shall forward the commissioner's form for compliance  
5 with the adopted local tax cap. The form shall include the computation of the local tax cap for that  
6 year, proposed appropriations by the governing body and budget committee and estimated revenues  
7 going into the annual meeting showing estimated amount of local taxes to be raised, appropriations  
8 voted by the annual meeting of the legislative body, and the counts of any ballot votes taken to  
9 override the local tax cap.

10 II-b. For political subdivisions that have adopted a school district budget cap under RSA  
11 32:5-e, or a town budget cap under RSA 32:5-g, the governing body of the political subdivision shall  
12 forward the commissioner's form for compliance with the adopted budget cap. The form shall  
13 include the computation of the budget cap for that year, proposed appropriations by the governing  
14 body and budget committee, appropriations voted by the meeting of the legislative body, and the  
15 counts of any ballot votes taken to override the budget cap.

16 2 Towns, Cities, Village Districts, and Unincorporated Places; Preparation of Budgets; Local Tax  
17 Cap. Amend RSA 32:5-b, III(a) to read as follows:

18 (a) When using the official ballot form of meeting under RSA 40:13, if the warrant  
19 article for the operating budget results in appropriations exceeding the tax cap under this section  
20 and receives less than 3/5 majority "yes" vote, the adopted operating budget shall be reduced [~~by~~  
21 ~~appropriations already raised~~] to remain compliant with the tax cap under this section, **including**  
22 **reductions for any appropriations already raised. In this paragraph, "appropriations**  
23 **already raised" shall include approved appropriations in warrant articles appearing on**  
24 **ballot before the warrant article in question.**

25 3 New Subparagraph; Towns, Cities, Village Districts, and Unincorporated Places; Preparation  
26 of Budgets; Local Tax Cap. Amend RSA 32:5-b, III by inserting after subparagraph (b) the following  
27 new subparagraph:

28 (c) For the purposes of determining when the amount of local taxes raised by the town or  
29 district exceed the local tax cap under this section, the amount of appropriations of the operating

1 budget counting towards the tax cap shall be reduced by the estimated revenues reported to the  
 2 department of revenue administration in the posted budget pursuant to RSA 32:5. In addition, the  
 3 amount of appropriations in any warrant article that also includes anticipated revenue from a state  
 4 or federal agency shall be reduced by the anticipated revenues for purposes of determining when the  
 5 amount of local taxes raised by the town or district exceed the tax cap under this section.

6 4 Towns, Cities, Village Districts, and Unincorporated Places; Preparation of Budgets; School  
 7 District Budget Cap. Amend RSA 32:5-e, I to read as follows:

8 I. In a school district that has adopted this section, the total amount raised and  
 9 appropriated for the fiscal year, including the operating budget and all other warrant articles with a  
 10 tax impact, as shown on the budget certified by the school board or the budget committee and posted  
 11 with the warrant for the annual meeting pursuant to RSA 32:5, shall not exceed the current per  
 12 pupil cost, as defined herein, times the average daily membership in residence (ADMR), pursuant to  
 13 RSA 198:38, I-a, of the school district as of October 1 of the year immediately preceding the proposed  
 14 budget year as reported to the department of education [~~times (1+ IF), where IF is an amount for an~~  
 15 ~~annual increase for inflation~~]. The first year after the budget cap is adopted, the current per pupil  
 16 cost shall be the per pupil cost adopted in the warrant article per RSA 32:5-f, IV. In subsequent  
 17 years, the current per pupil cost shall be the previous year's current per pupil cost times [~~(1+IFP)]~~  
 18 **(1+IF)**, where [~~IFP~~] **IF** is the [~~previous~~] **current** year's [~~IF~~] **annual increase for inflation**.

19 5 Towns, Cities, Village Districts, and Unincorporated Places; Preparation of Budgets; School  
 20 District Budget Cap. Amend RSA 32:5-e, IV(a) to read as follows:

21 (a) When using the official ballot form of meeting under RSA 40:13, if the warrant  
 22 article for the operating budget results in appropriations exceeding the budget cap and receives less  
 23 than 3/5 majority "yes" vote, the adopted operating budget shall be reduced by appropriations  
 24 already raised to remain compliant with the budget cap, **including reductions for any**  
 25 **appropriations already raised. In this paragraph, "appropriations already raised" shall**  
 26 **include approved appropriations in warrant articles appearing on ballot before the**  
 27 **warrant article in question.**

28 6 Towns, Cities, Village Districts, and Unincorporated Places; Preparation of Budgets; Town  
 29 Budget Cap. Amend RSA 32:5-g, I to read as follows:

30 I. In a town that has adopted this section, the total amount raised and appropriated for the  
 31 fiscal year, including the operating budget and all other warrant articles with a tax impact, as shown  
 32 on the budget certified by the select board or the budget committee and posted with the warrant for  
 33 the annual meeting pursuant to RSA 32:5, shall not exceed the current per resident expenditure, as  
 34 defined in subparagraph (a), times the current town population, as defined in subparagraph (b);  
 35 ~~times (1+ IF), where IF is an amount for an annual increase for inflation~~].

36 (a) The first year after the budget cap is adopted, the current per resident expenditure  
 37 shall be the per resident expenditure adopted in the warrant article under RSA 32:5-h, IV. In

1 subsequent years, the current per resident expenditure shall be the previous year's current per  
2 resident expenditure times  $[(1+IFP)]$  **(1+IF)**, where  $[IFP]$  **IF** is the ~~[previous]~~ **current** year's ~~[IF]~~  
3 **annual increase for inflation.**

4 (b) The current town population shall be the most recent figure calculated by the  
5 department of business and economic affairs, office of planning and development, pursuant to RSA  
6 78-A:25, I.

7 7 Towns, Cities, Village Districts, and Unincorporated Places; Preparation of Budgets; Town  
8 Budget Caps. Amend RSA 32:5-g, IV to read as follows:

9 IV. When using the official ballot form of meeting under RSA 40:13, if the warrant article for  
10 the operating budget results in appropriations exceeding the budget cap and receives less than 3/5  
11 majority "yes" vote, the adopted operating budget shall be reduced by appropriations already raised  
12 to remain compliant with the budget cap, **including reductions for any appropriations already**  
13 **raised. In this paragraph, "appropriations already raised" shall include approved**  
14 **appropriations in warrant articles appearing on ballot before the warrant article in**  
15 **question.**

16 8 New Section; Enforcement of Local Caps. Amend RSA 32 by inserting after section 5-h the  
17 following new section:

18 32:5-i Enforcement of Local Caps.

19 I. If, during the review of reports required by RSA 21-J:34, II-a or II-b, and pursuant to RSA  
20 21-J:35, II, the commissioner of revenue administration determines that the budget certified by the  
21 governing body or the budget committee, which includes the operating budget and all other warrant  
22 articles with a tax impact and posted with the warrant for the annual meeting pursuant to RSA  
23 32:5, exceeds the adopted local tax cap, the adopted school district budget cap, or the adopted town  
24 budget cap, the commissioner shall reduce the appropriation of the certified budget by the amount  
25 the certified budget exceeds the cap, pursuant to RSA 21-J:34, III. Appropriations in warrant  
26 articles having received the required supermajority ballot vote by the legislative body to override the  
27 cap using the procedures in RSA 32:5-b, III for a local tax cap, RSA 32:5-e, III for a school district  
28 budget cap, or RSA 32:5-g, III for a town budget cap shall not be eliminated or reduced.

29 II. During the review of reports pursuant to RSA 21-J:34, II, if the commissioner of revenue  
30 administration determines that the required supermajority ballot vote by the legislative body for an  
31 appropriation in a warrant article to override the cap was not satisfied, or that there was a  
32 procedural failure in overriding the cap, that appropriation shall be deleted pursuant to RSA 21-  
33 J:34, III.

34 9 Applicability. RSA 21-J:34, RSA 32:5-b, RSA 32:5-e, and RSA 32:5-g, as amended by this act,  
35 shall apply to the local tax caps, school district budget caps, and town budget caps adopted prior to  
36 the effective date of this act and shall not require local amendment or re-adoption by towns or  
37 districts.

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1           10 Effective Date. This act shall take effect 60 days after its passage.

**HB 1505-FN- FISCAL NOTE  
AS INTRODUCED**

AN ACT requiring municipalities, towns, and cities to submit documentation to the department of revenue administration proving they are in compliance with local budget and tax caps.

**FISCAL IMPACT: This bill does not provide funding, nor does it authorize new positions.**

<b>Estimated State Impact</b>				
	<b>FY 2026</b>	<b>FY 2027</b>	<b>FY 2028</b>	<b>FY 2029</b>
<b>Revenue</b>	\$0	\$0	\$0	\$0
<i>Revenue Fund(s)</i>	None			
<b>Expenditures*</b>	\$0	\$75,000	\$0	\$0
<i>Funding Source(s)</i>	General Fund			
<b>Appropriations*</b>	\$0	\$0	\$0	\$0
<i>Funding Source(s)</i>	None			

\*Expenditure = Cost of bill

\*Appropriation = Authorized funding to cover cost of bill

<b>Estimated Political Subdivision Impact</b>				
	<b>FY 2026</b>	<b>FY 2027</b>	<b>FY 2028</b>	<b>FY 2029</b>
<b>County Revenue</b>	\$0	\$0	\$0	\$0
<b>County Expenditures</b>	\$0	\$0	\$0	\$0
<b>Local Revenue</b>	\$0	\$0	\$0	\$0
<b>Local Expenditures</b>	\$0	Indeterminable Increase (under \$10,000 per municipality)		

**METHODOLOGY:**

This bill requires local governments to submit documentation to the Department of Revenue Administration (DRA) to prove compliance with local budget and tax caps. It clarifies how appropriations already raised are calculated and requires that any budget exceeding the cap without the required 3/5 majority vote be reduced accordingly. The bill also empowers DRA to enforce compliance by adjusting certified budgets that exceed caps.

The DRA states that this bill would require an estimated \$75,000 in increased General Fund expenditures to update forms and electronic systems for rate setting. While DRA can absorb other administrative costs, local governments may have reduced property tax rates and budgets if DRA identifies and corrects cap violations during the rate-setting process.

The New Hampshire Municipal Association (NHMA) states this bill introduces new reporting obligations for municipalities, which are expected to result in additional administrative costs estimated at under \$10,000 per municipality annually, though the exact amount is indeterminable.

**AGENCIES CONTACTED:**

Department of Revenue Administration and New Hampshire Municipal Association