

HB 1708-FN - AS INTRODUCED

2026 SESSION

26-2651  
07/08

HOUSE BILL            ***1708-FN***

AN ACT                relative to statewide education property taxes and other tax revenues.

SPONSORS:            Rep. Vallone, Rock. 5; Rep. Cloutier, Sull. 6

COMMITTEE:          Ways and Means

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ANALYSIS

This bill:

I. Directs the department of revenue administration to reduce the statewide education property tax rate at a level that would be offset by increases in business-related taxes.

II. Increases the rate of the business profits tax.

III. Deposits the additional revenues in the education trust fund.

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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Matter which is either (a) all new or (b) repealed and reenacted appears in regular type.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 relative to statewide education property taxes and other tax revenues.

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

1 1 Statement of Purpose. The purpose of this act is to reduce the burden of the statewide  
2 education property tax (SWEPT) on taxpayers while maintaining the same level of state funding  
3 that SWEPT provides to public schools.

4 2 The State and Its Government; Department of Revenue Administration; Equalization  
5 Procedure. Amend the introductory paragraph of RSA 21-J:9-a to read as follows:

6 The following procedures shall apply in determining the equalization of property within the  
7 cities, towns, and unincorporated places required by RSA 21-J:3, XIII *or* **RSA 76**, but shall not affect  
8 a municipality's requirements for inventory of property and assessment of taxes as of April 1:

9 3 Taxation; Business Profits Tax; Imposition of Tax. Amend RSA 77-A:2, III to read as follows:

10 III. For all taxable periods ending on or after December 31, ~~[2023]~~ **2026**, a tax is imposed at  
11 the rate of ~~[7.5]~~ **8.5** percent upon the taxable business profits of every business organization.

12 4 Taxation; Business Profits Tax; Distribution of Funds. RSA 77-A:20-a, I is repealed and  
13 reenacted to read as follows:

14 I. The commissioner shall determine 40 percent of the revenue produced by the tax imposed  
15 by RSA 77-A:2 for each fiscal year and shall certify such amounts to the state treasurer by October 1  
16 of that year for deposit in the education trust fund established by RSA 198:39.

17 5 Taxation; Business Profits Tax; Distribution of Funds. RSA 77-A:20-a, I is repealed and  
18 reenacted to read as follows:

19 I. The commissioner shall determine 42 percent of the revenue produced by the tax imposed  
20 by RSA 77-A:2 for each fiscal year and shall certify such amounts to the state treasurer by October 1  
21 of that year for deposit in the education trust fund established by RSA 198:39.

22 6 Taxation; Business Profits Tax; Distribution of Funds. RSA 77-A:20-a, I is repealed and  
23 reenacted to read as follows:

24 I. The commissioner shall determine 44.2 percent of the revenue produced by the tax  
25 imposed by RSA 77-A:2 for each fiscal year and shall certify such amounts to the state treasurer by  
26 October 1 of that year for deposit in the education trust fund established by RSA 198:39.

27 7 Taxation; Apportionment, Assessment and Abatement of Taxes; Education Tax RSA 76:3 is  
28 repealed and reenacted to read as follows:

29 I. For the fiscal year beginning July 1, 2026, the commissioner of the department of revenue  
30 administration shall set the education tax rate at a level sufficient to generate revenue of  
31 \$346,000,000 when imposed on all persons and property taxable pursuant to RSA 76:8, except

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1 property subject to tax under RSA 82 and RSA 83-F. The education property tax rate shall be  
2 effective for the following fiscal year. The rate shall be set to the nearest 1/2 cent necessary to  
3 generate the revenue required in this section.

4 II. For the fiscal year beginning July 1, 2027, the commissioner of the department of  
5 revenue administration shall set the education tax rate at a level sufficient to generate revenue of  
6 \$284,000,000 when imposed on all persons and property taxable pursuant to RSA 76:8, except  
7 property subject to tax under RSA 82 and RSA 83-F. The education property tax rate shall be  
8 effective for the following fiscal year. The rate shall be set to the nearest 1/2 cent necessary to  
9 generate the revenue required in this section.

10 III. Beginning July 1, 2028, and every fiscal year thereafter, the commissioner of the  
11 department of revenue administration shall set the education tax rate at a level sufficient to  
12 generate revenue of \$273,000,000 when imposed on all persons and property taxable pursuant to  
13 RSA 76:8, except property subject to tax under RSA 82 and RSA 83-F. The education property tax  
14 rate shall be effective for the following fiscal year. The rate shall be set to the nearest 1/2 cent  
15 necessary to generate the revenue required in this section.

16 8 Department of Education; Supplemental Education Payment Directive. The commissioner of  
17 the department of education, in consultation with the commissioner of the department of revenue  
18 administration, shall determine how municipality's total education grants and statewide education  
19 property tax are decreased due to the state education property tax reduction as a result of this act.  
20 Any amounts identified shall be paid to impacted municipalities pursuant to the distribution  
21 schedule under RSA 198:42. Payments to impacted municipalities shall be capped at \$90,000,000.

22 9 Effective Date.

23 I. Section 5 of this act shall take effect July 1, 2027.

24 II. Section 6 of this act shall take effect July 1, 2028.

25 III. The remainder of this act shall take effect July 1, 2026.

**HB 1708-FN- FISCAL NOTE**  
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AN ACT relative to statewide education property taxes and other tax revenues.

**FISCAL IMPACT:**

<b>Estimated State Impact</b>				
	<b>FY 2026</b>	<b>FY 2027</b>	<b>FY 2028</b>	<b>FY 2029</b>
<b>Revenue</b>	Indeterminable			
<i>Revenue Fund(s)</i>	General Fund and Education Trust Fund			
<b>Expenditures*</b>	\$0	Indeterminable	Indeterminable	Indeterminable
<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

**METHODOLOGY:**

This bill increases the rate of the Business Profits Tax (BPT) from 7.5% to 8.5% of taxable business profits, beginning with taxable periods ending on or after December 31, 2026; increases the distribution percentage of BPT revenue to the Education Trust Fund (ETF) from 39% to 44.20% by FY 2029; and decreases the Statewide Education Property Tax (SWEPT) statutory amount of \$363,000,000 to \$273,000,000 by FY 2030. The bill also requires the commissioner of the Department of Education, in consultation with the commissioner of the Department of Revenue Administration, to identify any decreases in education grants in connection with the reduction of SWEPT, and make payments to impacted municipalities in an amount not to exceed \$90 million in aggregate.

The Department is not able to predict the full fiscal impact of this bill as it does not know what base business profits will be in future years. Additionally, since SWEPT revenue is static and BPT can fluctuate it is not possible to predict the direction of the revenue change to the funds with certainty. The Department is able to calculate a potential fiscal impact of this bill for illustrative purposes using tax year 2023 and the following assumptions:

- The increase in BPT revenue from the current rate to the new rate will be applied to the SWEPT.

- To calculate FY2026 through FY2028 revenues under current law as well as under the proposed bill, the tax year 2023 BPT tax base of \$10.4 billion is the starting point. The applicable BPT rate for taxable periods ending on or after December 31, 2023, was 7.5%.
- Based on an analysis completed by the Department on the split of tax year revenue to fiscal year, the following splits are applied to FY2026 and forward: 12% attributable to two years prior, 69% attributable to prior tax year, and 19% attributable to current tax year. (See Table 1 below)
- The applicable BPT rate of 7.5% for taxable periods ending on or after December 31, 2024 was used to calculate the estimated revenue under current law, as shown in the second column of table 2 below. The BPT rate change to 8.5% contained in this bill is then applied to calculate estimated revenue, as shown in the third column, and the year-over-year and cumulative impact shown in the fourth and fifth columns.

Table 1: Tax Year Splits to Fiscal Year

Fiscal Year	Tax Year	% Applicable to Tax Year	Current Law BPT Rates	Proposed Law BPT Rates
Fiscal Year 2026	Tax Year 2024	12%	7.50%	7.50%
	Tax Year 2025	69%	7.50%	7.50%
	Tax Year 2026	19%	7.50%	8.50%
Fiscal Year 2027 and forward	Tax Year 2025	12%	7.50%	7.50%
	Tax Year 2026	69%	7.50%	8.50%
	Tax Year 2027	19%	7.50%	8.50%
Fiscal Year 2028 and forward	Tax Year 2026 and Forward	12%	7.50%	8.50%
		69%	7.50%	8.50%
		19%	7.50%	8.50%

Table 2: Static Analysis Impact on Business Profits Tax

Business Profits Tax All Funds- Static Analysis using TY 2023 Liability				
Fiscal Year	Current Law Revenue Using TY2023 BPT Tax	Estimated Revenue with Proposed Legislation	Estimated Fiscal Impact Per Year	Cumulative Fiscal Impact
2026	\$781,300,000	\$801,100,000	\$19,800,000	\$19,800,000
2027	\$781,300,000	\$873,000,000	\$91,700,000	\$111,500,000
2028 and Forward	\$781,300,000	\$885,500,000	\$104,200,000	\$215,700,000

Increasing the distribution of BPT revenue to the ETF from 39% to 44.2% by FY 2029 will result in a decrease in General Fund (GF) revenue and increase in Education Trust Fund (ETF) revenue. The table 3 below illustrates the impact of this increased distribution to the ETF beginning in FY 2026.

Table 3: Business Profits Tax Increase to Education Trust Fund - Decrease to General Fund

<b>Business Profits Tax Education Trust Fund - Static Analysis using TY 2023 Liability</b>				
<b>Fiscal Year</b>	<b>Current Law Revenue Using TY2023 BPT Tax</b>	<b>Estimated Revenue with Proposed Legislation</b>	<b>Estimated Fiscal Impact Per Year (Increase to ETF/Decrease to GF)</b>	<b>Cumulative Fiscal Impact (Increase to ETF/Decrease to GF)</b>
2026	\$304,700,000	\$312,400,000	\$7,700,000	\$7,700,000
2027	\$304,700,000	\$349,200,000	\$44,500,000	\$52,200,000
2028	\$304,700,000	\$371,800,000	\$67,100,000	\$119,300,000
2029 and Forward	\$304,700,000	\$391,400,000	\$86,700,000	\$206,000,000

While SWEPT revenue is retained locally to fund the state’s portion of education funding, the total amount of SWEPT collected by the municipalities is still recognized by the state as revenue to the ETF. Reductions to the ETF due to reductions in the SWEPT target amount are shown in table 4 below.

Table 4: Reduction in SWEPT from BPT Revenue Due to Rate Increase from 7.5% to 8.5%

<b>Statewide Education Property Tax Education Trust Fund Analysis</b>				
<b>Fiscal Year</b>	<b>Current Law SWEPT Revenue</b>	<b>Estimated SWEPT Revenue with Proposed Legislation</b>	<b>Estimated Fiscal Impact Per Year</b>	<b>Cumulative Fiscal Impact</b>
2026	\$363,000,000	\$363,000,000	\$0	\$0
2027	\$363,000,000	\$363,000,000	\$0	\$0
2028	\$363,000,000	\$346,000,000	(\$17,000,000)	(\$17,000,000)
2029	\$363,000,000	\$284,000,000	(\$79,000,000)	(\$96,000,000)
2030 and Forward	\$363,000,000	\$273,000,000	(\$90,000,000)	(\$186,000,000)

The Department notes that any estimated impacts do not consider overpayments (credit carry forwards) on file.

The Department would need to update forms and electronic management systems to implement this bill, however it is anticipated this can be done absorbed in the Department's operating budget.

If it is determined the reduction in SWEPT results in an impact on a municipality's total education grants and statewide education property tax, any amounts identified shall be paid to

impacted municipalities pursuant to the distribution schedule under RSA 198:42 with payments to impacted municipalities capped at \$90,000,000. This may result in increased state expenditures, however the source of these expenditures would be Education Trust Fund or if the Education Trust Fund does not have sufficient funds, the General Fund pursuant to RSA 198:39.

The Department of Education notes the bill does not result in a decrease in total education grants, which includes the SWEPT grant, but rather creates a SWEPT reduction hold harmless grant for any impacted municipalities. The Department estimates the SWEPT reduction hold harmless grant would be \$1.7 million for FY 2027, \$11.5 million for FY 2028 and \$13.1 million for FY 2029.

**AGENCIES CONTACTED:**

Department of Revenue Administration and Department of Education