

HB 1505-FN - AS AMENDED BY THE HOUSE

12Feb2026... 0233h

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

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.

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Matter which is either (a) all new or (b) repealed and reenacted appears in regular type.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 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

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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]~~ **by** the department of education ~~[times (1+ IF), where IF is an amount~~
15 ~~for an annual increase for inflation]~~. The first year after the budget cap is adopted, the current per
16 pupil cost shall be the per pupil cost adopted in the warrant article per RSA 32:5-f, IV. In
17 subsequent years, the current per pupil cost shall be the previous year's current per pupil cost times
18 ~~[(1+IFP)]~~ **(1+IF)**, where ~~[IFP]~~ **IF** is the ~~[previous]~~ **current** year's ~~[IF]~~ **annual increase for**
19 **inflation**

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

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

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

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

1 (a) The first year after the budget cap is adopted, the current per resident expenditure
2 shall be the per resident expenditure adopted in the warrant article under RSA 32:5-h, IV. In
3 subsequent years, the current per resident expenditure shall be the previous year's current per
4 resident expenditure times [~~(1+IFP)~~] **(1+IF)**, where [IFP] **IF** is the [~~previous~~] **current** year's [~~IF~~]
5 **annual increase for inflation.**

6 (b) The current town population shall be the most recent figure calculated by the
7 department of business and economic affairs, office of planning and development, pursuant to RSA
8 78-A:25, I.

9 7 Towns, Cities, Village Districts, and Unincorporated Places; Preparation of Budgets; Town
10 Budget Caps. Amend RSA 32:5-g, IV to read as follows:

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

18 8 New Section; Enforcement of Local Caps. Amend RSA 32 by inserting after section 5-h the
19 following new section:

20 32:5-i Enforcement of Local Caps.

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

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

36 9 Municipal Budget Law; Preparation of Budgets; Local Tax Cap. Amend RSA 32:5-b, I-b(b)(1)
37 to read as follows:

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1 (1) "Attendance" shall mean the average daily membership in residence (ADMR) of
2 the school district, pursuant to RSA 198:38, I-a. "This year's attendance" shall be the annual ADMR
3 reported [tø] **by** the department of education as of October 1 preceding the date of the budget hearing
4 held pursuant to RSA 32:5, I. "Last year's attendance" shall be the annual ADMR reported [tø] **by**
5 the department of education as of October 1 of the year prior to the annual ADMR reported for "This
6 year's attendance".

7 10 Municipal Budget Law; Application. Amend RSA 32:2 to read as follows:

8 32:2 Application. RSA 32:1-13, shall apply to all towns, school districts, cooperative school
9 districts, village districts, municipal economic development and revitalization districts created under
10 RSA 162-K, and any other municipal entities, including those created pursuant to RSA 53-A or 53-B,
11 which adopt their budgets at an annual meeting of their voters, except RSA 32:5-b[~~]~~ which shall
12 apply only in those towns or districts adopting that section pursuant to RSA 32:5-c, **except RSA**
13 **32:5-e which shall apply only in those school districts adopting that section pursuant to**
14 **RSA 32:5-f, and except RSA 32:5-g which shall apply only in those towns adopting that**
15 **section pursuant to RSA 32:5-h.** RSA 32:14-23, concerning budget committees, shall apply only in
16 those towns or districts adopting that subdivision pursuant to RSA 32:14, I, and shall apply
17 automatically in school districts or village districts located wholly within towns adopting that
18 subdivision.

19 11 Municipal Budget Law; Preparation of Budgets; Adoption of School District Budget Cap.
20 Amend RSA 32:5-f, IV to read as follows:

21 IV. If, under RSA 32:5-e, II, a fixed percentage is used for the annual increase for inflation,
22 the wording of the question shall be:

23 "Shall we adopt the provisions of RSA 32:5-e, and implement a budget cap whereby the school board
24 (or budget committee) shall not submit a recommended budget that is higher than ____ dollars per
25 pupil cost times the average daily membership in residence of the school district as of October 1 of
26 the year immediately preceding the proposed budget year, plus **with** a ____ percent annual increase
27 **on the per pupil cost** for inflation. Requires a 3/5ths majority [~~of the school district~~] **to adopt.**"

28 Alternatively, if an annual inflation index is used, the wording of the question shall be:

29 "Shall we adopt the provisions of RSA 32:5-e, and implement a budget cap whereby the school board
30 (or budget committee) shall not submit a recommended budget that is higher than ____ dollars per
31 pupil cost times the average daily membership in residence of the school district as of October 1 of
32 the year immediately preceding the proposed budget year, [~~plus~~] **with** an annual increase **on the**
33 **per pupil cost** for inflation using (the index) published by (the U.S. Bureau of Labor Statistics or
34 American City and County) as of October 1. Requires a 3/5ths majority [~~of the school district~~] **to**
35 **adopt.**"

36 12 Municipal Budget Law; Preparation of Budgets; Adoption of Town Budget Cap. Amend RSA
37 32:5-h, IV to read as follows:

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1 IV. If, under RSA 32:5-g, II, a fixed percentage is used for the annual increase for inflation,
2 the wording of the question shall be:

3 "Shall we adopt the provisions of RSA 32:5-g, and implement a budget cap whereby the select board
4 (or budget committee) shall not submit a recommended budget that is higher than ____ dollars per
5 resident expenditure times the current town population, ~~[plus]~~ **with** a ____ percent annual increase
6 **on the per resident expenditure** for inflation. Requires a 3/5ths majority ~~[of the town]~~ **to adopt.**"

7 Alternatively, if an annual inflation index is used, the wording of the question shall be:

8 "Shall we adopt the provisions of RSA 32:5-g, and implement a budget cap whereby the select board
9 (or budget committee) shall not submit a recommended budget that is higher than ____ dollars per
10 resident expenditure times the current town population, ~~[plus]~~ **with** an annual increase **on the per**
11 **resident expenditure** for inflation using (the index) published by (the United States Bureau of
12 Labor Statistics or American City and County) as of October 1. Requires a 3/5ths majority ~~[of the~~
13 ~~town]~~ **to adopt.**"

14 13 Applicability. RSA 21-J:34, RSA 32:5-b, RSA 32:5-e, RSA 32:5-g, and RSA 32:2, as amended
15 by this act, shall apply to the local tax caps, school district budget caps, and town budget caps
16 adopted prior to the effective date of this act and shall not require local amendment or re-adoption
17 by towns or districts.

18 14 Effective Date.

19 I. Section 8 of this act shall take effect on April 1, 2027.

20 II. The remainder of this act shall take effect 60 days after its passage.

HB 1505-FN- FISCAL NOTE
AMENDED BY THE HOUSE (AMENDMENT #2026-0233h)

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.

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

*Expenditure = Cost of bill

*Appropriation = Authorized funding to cover cost of bill

Estimated Political Subdivision Impact				
	FY 2026	FY 2027	FY 2028	FY 2029
County Revenue	\$0	\$0	\$0	\$0
County Expenditures	\$0	\$0	\$0	\$0
Local Revenue	\$0	\$0	\$0	\$0
Local Expenditures	\$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