

HB 527-FN - AS INTRODUCED

2025 SESSION

25-0109

07/02

HOUSE BILL ***527-FN***

AN ACT replacing the statewide education property tax with a local revenue contribution.

SPONSORS: Rep. Fellows, Graf. 8

COMMITTEE: Education Funding

ANALYSIS

This bill replaces the statewide education property tax with a local revenue contribution from political subdivisions based on the lesser of the state education property tax warrant issued for the tax year beginning April 1, 2025 or the cost of providing the opportunity for an adequate education.

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 Matter which is either (a) all new or (b) repealed and reenacted appears in regular type.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

AN ACT replacing the statewide education property tax with a local revenue contribution.

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

1 1 New Paragraph; Adequate Education; Education Trust Fund; Definition of Local Contribution.
2 Amend RSA 198:38 by inserting after paragraph VIII the following new paragraph:

3 IX. "Local contribution" means the lesser of (a) the amount of the state education property
4 tax warrant issued by the department of revenue administration as calculated in former RSA 76:8
5 prior to its repeal for the property tax year beginning April 1, 2025; and (b) the cost of providing the
6 opportunity for an adequate education pursuant to RSA 198:40-a, I-III. Local revenue used to fund
7 the opportunity for an adequate education in the determination year shall be no less than this
8 amount. The commissioner of the department of education shall adopt rules under RSA 541-A
9 regarding the local revenue calculation under this paragraph.

10 2 Determination of Education Grants. Amend RSA 198:41, I and I-a to read as follows:

11 I. Except for municipalities where all school districts therein provide education to all of their
12 pupils by paying tuition to other institutions, the department of education shall determine the total
13 education grant for the municipality as follows:

14 (a) Add the per pupil cost of providing the opportunity for an adequate education for
15 which each pupil is eligible pursuant to RSA 198:40-a, I-III, and from such amount;

16 (b) Subtract the [~~amount of the education tax warrant to be issued by the commissioner
17 of revenue administration for such municipality reported pursuant to RSA 76:8 for the next tax year~~]
18 **local contribution**; and

19 (c) Add the municipality's extraordinary need grant pursuant to RSA 198:40-f.

20 I-a. For municipalities where all school districts therein provide education to all of their
21 pupils by paying tuition to other institutions, the department of education shall determine the total
22 education grant for each municipality as the lesser of the 2 following calculations:

23 (a) The amount calculated in accordance with paragraph I of this section; or

24 (b) The total amount paid for items of current education expense as determined by the
25 department of education minus the [~~amount of the education tax warrant to be issued by the
26 commissioner of revenue administration for such municipality reported pursuant to RSA 76:8 for the
27 next tax year~~] **local contribution**.

28 3 New Paragraph; Local Tax Cap; 2026 Tax Year. Amend RSA 32:b-5 by inserting after
29 paragraph I-a the following new paragraph:

30 I-b. For the 2026 tax year only, local education taxes for the prior fiscal year shall be the
31 sum of the state and local education property taxes raised for 2025.

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1 4 New Paragraph; Semi-Annual Collection of Taxes in Certain Cities and Towns. Amend RSA
2 76:15-a by inserting after paragraph I the following new paragraph:

3 I-a. For the 2026 tax year only, the previous year's local education property tax rate shall be
4 the sum of the state and local education property tax rates for 2025.

5 5 New Paragraph; Quarterly Billing of Taxes in Certain Cities and Towns. Amend RSA 76:15-
6 aa by inserting after paragraph II the following new paragraph:

7 II-a. For the 2026 tax year only, for purposes of the quarterly billing calculation under
8 paragraph I or II, the previous year's local education property tax rate shall be the sum of the state
9 and local education property tax rates for 2025.

10 6 Applicability. Sections 3-5 of this act shall apply to the tax year beginning April 1, 2026.

11 7 Repeal. The following are repealed:

12 I. RSA 76:3, relative to the education tax.

13 II. RSA 76:8, relative to the commissioner's warrant.

14 III. RSA 198:56-198:61, relative to low- and moderate-income homeowners property tax
15 relief.

16 IV. RSA 198:39, I(d), relative to distribution of funds from the education trust fund for the
17 low- and moderate-income homeowners property tax relief program.

18 8 Effective Date.

19 I. Paragraphs I and II of section 7 of this act shall take effect July 1, 2025.

20 II. Paragraphs III and IV of section 7 of this act shall take effect January 1, 2027.

21 III. Sections 1 and 2 of this act shall take effect July 1, 2026.

22 IV. The remainder of this act shall take effect January 1, 2026.

**HB 527-FN- FISCAL NOTE
AS INTRODUCED**

AN ACT replacing the statewide education property tax with a local revenue contribution.

FISCAL IMPACT:

Estimated State Impact				
	FY 2025	FY 2026	FY 2027	FY 2028
Revenue	\$0	\$363,516,836 Decrease	Approximately \$363,000,000 Decrease Per Year	
<i>Revenue Fund(s)</i>	Education Trust Fund			
Expenditures*	\$0	\$363,516,836 Decrease	<u>SWEPT Grant Under Adequacy</u> Approximately \$363,000,000 Decrease Per Year <u>Low and Moderate Homeowners Property Tax Relief Program</u> Indeterminable Decrease	
<i>Funding Source(s)</i>	Education Trust 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 2025	FY 2026	FY 2027	FY 2028
Local Revenue	\$0	\$28,641,257 Decrease	Approximately \$29,000,000 Decrease Per Year	
Local Expenditures	\$0	\$0	\$0	\$0

METHODOLOGY:

This bill seeks to replace the existing statewide education property tax (SWEPT) with a local revenue contribution. The Department of Revenue Administration (DRA) has provided the following information and assumptions relative to this bill:

- Section 1 – Defines “local contribution” as no less than either a) the adequacy amount for the municipality computed pursuant to RSA 198:40-a, I-III or b) the education tax warrant amount for property tax year beginning April 1, 2025 (issued in September 2024) whichever is less, effective July 1, 2026. It also provides that local revenue shall be no less than this amount.

- Section 2 – Modifies the calculation for the Department of Education to determine education grants for municipalities under RSA 198:41, I and I-a to instead subtract the local contribution as opposed to the amount of the education tax warrant from the DRA.
- Section 3 – Provides that for tax year 2026 only, local education taxes for the prior fiscal year for purposes of application of the caps under RSA 32:5-b will include the SWEPT raised for 2025.
- Sections 4 and 5 – Provides that for tax year 2026 only, the previous year’s local education property tax rate will include both the state and local education property tax rates for purposes of calculating the first semi-annual and first two quarterly tax payments due as provided in RSA 76:15-a and 76:15-aa.
- Section 6 – Provides that Sections 3-5 apply to the tax year beginning April 1, 2026. Sections 3-6 of the proposed legislation are effective January 1, 2026.
- Section 7 (Paragraphs I and II) – Repeal RSA 76:3 which requires the DRA to set the education tax rate at a level sufficient to generate revenue of \$363 million and RSA 76:8, relative to the Commissioner’s warrant. The DRA assumes that no SWEPT warrants shall be issued for the property tax year beginning April 1, 2026 (issued in September 2025.) The repeal relative to SWEPT and the Commissioner’s warrant is effective July 1, 2025.
- Section 7 (Paragraphs III and IV) – Repeal the Low and Moderate Homeowners’ Property Tax Relief (L&M Relief) provisions contained in RSA 198:56 – 198:61, effective January 1, 2027. DRA assumes that the repeal of L&M Relief is intended to continue in effect for claims made for SWEPT assessed for property tax year 2025. Applications for such relief are due to be filed in May and June of 2026.
- DRA assumes that SWEPT will be collected for property tax year 2025 and that the repeal of SWEPT is intended to apply to property tax year 2026 (beginning April 1, 2026).

State Education Trust Fund / Adequacy Grant Impact

Under current law, each municipality collects the SWEPT on behalf of the state and retains the SWEPT locally to fund the state’s portion of education funding. Although the SWEPT is locally retained, the total amount of SWEPT collected by the municipalities is recognized by the state as revenue to the Education Trust Fund (ETF) and part of the adequacy grants calculated. The proposed legislation repealing RSA 76:3, relative to Education Tax, shall remove the recognition of the \$363 million revenue from state revenue. Furthermore, this bill adjusts the final education grant formula calculation by subtracting the local revenue contribution, instead of SWEPT, from each political subdivisions calculated cost of an opportunity of an adequate education. Effectively, this bill removes SWEPT entirely and therefore the existence of “excess SWEPT” municipalities (the amount of SWEPT raised and retained locally that exceeds the

municipality’s calculated cost of an opportunity for an adequate education). Based on FY 2026 preliminary estimate date (published November 15, 2024), this bill will have the following impact on state education trust fund revenue and expenditures:

	Current Law	Proposed	Difference
State SWEPT Revenue	\$363,516,836	\$0	(\$363,516,836)
<i>State Adequacy</i>			
Adequacy Grant	\$716,948,319	\$716,948,319	\$0
SWEPT Grant	\$363,516,836	\$0	(\$363,516,836)
Final State Grant	\$1,080,465,155	\$716,948,319	(\$363,516,836)
Local Contribution (LC)	\$0	\$334,875,580	\$334,875,580
Total Local Revenue¹ (Adequacy + SWEPT/LC)	\$1,080,465,155	\$1,051,823,898	(\$28,641,257)

¹ \$28,641,257 represents total amount of “excess SWEPT” estimated in FY 2026 under current law

Data is not available at this time to provide an estimate for FY 2027 and beyond, however, the impact will likely be similar to the above table.

Low and Moderate Homeowners’ Property Tax Relief (L&M Relief) Impact

The DRA is unable to determine the fiscal impact of the repeal of the L&M Relief because the DRA is unable to predict the applications that will be made for the relief in the future. However, the repeal of the L&M Relief would result in the reduction of state expenditures from the ETF. As a guide, the amount of relief that was paid out during FY 2024 was approximately \$1.1 million. The L&M Relief filing period runs between May 1 and June 30. The application dates for Tax Year 2026 claims are May 1, 2027, through June 30, 2027. Since the relief payments for Tax Year 2026 claims are paid out in FY 2027 and FY 2028, the fiscal impact of this proposed repeal will begin in FY 2027 and onwards.

The proposed legislation would not result in any additional administrative expenses for either the Department of Revenue Administration or the Department of Education.

AGENCIES CONTACTED:

Department of Revenue Administration and Department of Education