Senate Ways and Means Committee

Sonja Caldwell 271-2117

SB 275, providing property tax relief for some child care agencies.

Hearing Date: February 5, 2025

Members of the Committee Present: Senators Lang, Murphy, Sullivan and Fenton

Members of the Committee Absent : Senator Rosenwald

Bill Analysis: This bill provides property tax exemptions for some child care agencies.

Sponsors:

Sen. Watters	Sen. Avard	Sen. Long
Sen. Altschiller	Sen. Innis	Sen. Rosenwald
Sen. Perkins Kwoka	Rep. Stavis	

Who supports the bill: 139 individuals signed in support

Who opposes the bill: 5 individuals signed in opposition

Who is neutral on the bill: 1 individual was neutral

Summary of testimony presented in support:
Sen. Watters

- Sen. Watters presented amendment 0181s.
- He approached this bill thinking about what can be done to clarify nonprofit status and thus the tax exemption for childcare centers. He heard that some assessors had looked at the nonprofit status of some childcare centers and said they did not qualify for the tax exemption while other assessors in other communities said they did qualify.
- The bill as written was more expansive and would have provided tax relief to a larger group but after working with the Department of Health and Human Services Licensing Bureau and the Center for Nonprofits he came up with the language in the amendment.
- This is meant to clarify that in order to qualify as charitable, which is what we use to designate something as having tax exempt status, one must have the meaning set forth in RSA 72:23-L, be recognized by the IRS as a 501(C)(3), and be a registered charitable organization in good standing with the state.

- This is the language that the Center for Nonprofits and others thought would work to clarify that if you are a nonprofit childcare center that meets this definition you do qualify for that tax exemption.
- The other part of the bill which remains has to do with school building aid. Sen. Watters explained that it came to his attention that a lot of communities with extra classrooms would like to establish early childhood centers. Under current law, that is limited to kindergarten through grade 12. This meant that when a school received a school building aid grant they were unable to include the square footage of the classroom that might be used as an early childhood center.
- Sen. Watters worked with the Department of Education to come up with language to strike kindergarten and include preschool so that if a school comes forward and wants to do a renovation or addition for preschool, that square footage can now also qualify for school building aid.

Sen. Lang asked a question regarding the changing of the definition in section 7. He asked if it would have any other impact on things like social clubs and their tax status.

Sen. Watters said he didn't believe so. He added that he thought this bill just provides childcare centers who may have been denied some language to help clarify with the assessor that if they meet this criteria they are a charitable organization. Whether that clarification could extend to others, he supposed it is possible but added that the definition itself in the amendment is what we mean by charitable.

Sen. Lang asked if we have different definitions of charity anywhere else in statute.

Sen. Watters said he did not think so.

Michele Merritt - NH Futures

- She worked with Sen. Watters on the amendment. They are supportive of this effort to clarify the definition of "charitable" for the benefit of nonprofit childcare centers in NH. They worked with the NH Center for Nonprofits on this language. She added that it is necessary because of some of the experiences childcare centers have had.

Summary of testimony presented in opposition:
Julie Smith

- Ms. Smith testified in opposition to the bill.
- Ms. Smith stated that her taxes quadrupled two years ago. She added that her mayor stated that commercial properties had depreciated and inferred that homeowners had to make up for it. If that is true, she explained that all business properties are already getting a discount, and she believes this bill seeks to make the situation worse.

- This bill gives special treatment to certain businesses at the expense of people with no use for those businesses.
- She was subject to another appraisal last fall. City hall is taxing the bottom tier of property owners into homelessness. This bill doesn't help anyone facing housing distress.
- She said the purpose of government is to protect rights, not rob Peter to pay Paul.
- Ms. Smith said taxation is theft, but cities and towns should at least give equal treatment to all businesses.

Neutral Information Presented:
Jim Michaud - Hudson Chief Assessor

- He looks at the technical aspect of bills. He said he understood an amendment had been introduced that probably obviates the first part of his testimony.
- The way the bill was originally written, for-profit corporations such as KinderCare would be able to qualify for an educational tax exemption. Additionally, under the original version of the bill, he said a homeowner could establish a childcare agency with one child and the house would be 100% exempt from property taxes.
- He said he understood that the amendment makes clear that it is a nonprofit corporation that would qualify.
- Looking at educational exemptions, he said you have to look at the standards that courts have laid out in terms of what qualifies for an educational tax exemption. He said the case that is most frequently cited is New Canaan Academy vs Canaan (1982). It laid out a four-part test that communities are to follow in determining eligibility for an educational property tax exemption. He said he does not see that the amendment or bill changes that case law.
- He explained that a corporation could be a 501(C)(3), and registered with the Secretary of State, but they are still going to have to meet the educational test and that won't change under this bill.
- He noted that it might be helpful if the criteria were laid out for all the stakeholders rather than having to look at old case law.

sc
Date Hearing Report completed: February 7, 2025