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Contains: Committee Report and Amendments for Wednesday, November 3.

HOUSE CALENDAR

WEDNESDAY, NOVEMBER 3

FINANCE

HB 999-FN-A-LOCAL, an act establishing a uniform education property tax to provide funding for an adequate public education and providing education property tax hardship relief to low and moderate income taxpayers. OUGHT TO PASS WITH AMENDMENT

Rep. David J. Alukonis for Finance: HB 999 establishes a uniform statewide property tax for the purpose of funding an adequate education. The bill utilizes many of the well-considered elements of the property tax originally adopted in HB 117 and further incorporates a program for property tax hardship relief for low- to moderate-income taxpayers.

The hardship provision functions by granting a rebate of up to 100% of any growth in education property taxes greater than those on the 1998 property tax bill. The 100% rebate would be available to single individuals with adjusted gross incomes of up to \$15,000. The same level of rebate would be available to married couples and heads of households with incomes up to \$30,000. Lesser levels of rebate would be available for singles with incomes up to \$25,000 and married persons/heads of households of up to \$50,000. Further, the rebate applies only to the first \$200,000 of equalized value of an applicant's primary residence. The

entire hardship relief provision sunsets in four years.

The committee amendment makes numerous minor technical changes to the bill as a result of discussions with the Department of Revenue Administration (DRA) and the N.H. Municipal Association. Of significance are the following changes:

1. The amendment removes the provision that allowed for municipalities to administer the abatements. Rather, the committee agrees with the DRA and NHMA that the DRA should be the sole "handler" of all abatement requests.
2. The committee has added a standard severability clause to the bill. If any provision of the bill is deemed invalid, the remaining provisions and applications shall remain in effect.
3. The DRA is granted emergency rulemaking authority for a period of 180 days subsequent to passage in order to allow for an expeditious application of the hardship abatements.

The financial implications of the bill. As in HB 117, the statewide property tax at the rate of \$6.60 per thousand dollars of assessed valuation raises \$442.1 million. The hardship relief provisions reduce that amount by \$8 million, \$3 million in the first year of the biennium and \$5 million in the second.

The elimination of the phase-in and the substitution of the hardship relief provisions result in net additional revenue of approximately \$33 million over the biennium. This would reduce the so-called Claremont "gap" from \$104 million to \$71 million.

The committee amendment also calls for the transfer of \$31 million of unanticipated general fund surplus from FY 1999 to the Education Trust Fund. This would further reduce the "gap" to \$40 million. In addition, the amendment increases anticipated lapses for the current biennium by \$10 million based on our experience in the last biennium. The net result is that our "gap" would stand at \$30 million. Vote 12-6.

WEDNSDAY, NOVEMBER 3

AMENDMENTS

Amendment to HB 999-FN-A-LOCAL

Proposed by the Committee on Finance

1999-2214h

Amend RSA 198:50, II as inserted by section 12 of the bill by replacing it with the following:

II. "Homestead" means the dwelling owned by a claimant or, in the case of a multi-unit dwelling, the portion of the dwelling which is owned and used as the claimant's principal place of residence and the claimant's domicile for purposes of RSA 654:1. "Homestead" shall not include land and buildings taxed under RSA 79-A or land and buildings or the portion of land and buildings rented or used for commercial or industrial purposes. In this paragraph, the term "owned" includes a vendee in possession under a land contract and one or more joint tenants or tenants in common.

Amend RSA 198:51 as inserted by section 12 of the bill by replacing it with the following:

198:51 Education Property Tax Hardship Relief.

- I. Pursuant to the provisions of this subdivision, eligible claimants shall be granted education property tax hardship relief following the effective date of the reenactment of the statewide property tax under RSA 76:3 in this act.
- II. Residents shall apply to the department of revenue administration for such relief.
- III. An eligible hardship relief claimant is a person who:
 - (a) Owns a homestead or interest in a homestead subject to the education property tax;
 - (b) Has resided in such homestead for a period of one year, except such persons as are on active duty in the United States armed forces or are temporarily away from such homestead but maintain the homestead as a primary domicile;
 - (c) Realizes in any year after the effective date of the reenactment of the statewide property tax under RSA 76:3 in this act a net

increase in property taxes, exclusive of municipal and county taxes, which exceeds the local education property tax portion of such claimant's local property taxes for the tax year ended March 31, 1999; and

(d) Realizes total household income of \$25,000 or less if a single person and \$50,000 or less if a married person or head of a New Hampshire household.

IV. A portion of the net increase in an eligible hardship relief claimant's property taxes, exclusive of municipal and county taxes, shall be abated as follows:

(a) Deduct the municipal and county tax rates from the claimant's total current tax rate;

(b) Subtract the amount of the claimant's local education property tax rate for the tax year ended March 31, 1999 from the sum computed in subparagraph (a) to determine the net rate increase;

(c) Multiply the net rate increase computed in subparagraph (b) by the following percentage as applicable to determine the amount of the hardship relief:

(1) If a single person and total household income is:

(A) less than \$15,000, 100 percent of the net rate increase;

(B) \$15,000 but less than \$20,000, 66 2/3 percent of the net rate increase; or

(C) \$20,000 but less than \$25,000, 33 1/3 percent of the net rate increase.

(2) If a married person or a head of a New Hampshire household and total household income is:

(A) less than \$30,000, 100 percent of the net rate increase;

(B) \$30,000 but less than \$40,000, 66 2/3 percent of the net rate increase; or

(C) \$40,000 but less than \$50,000, 33 1/3 percent of the net rate increase.

(d) Multiply the amount computed in subparagraph (c) by the local assessed valuation from the 1998 property tax bill.

(e) The total amount of tax relief allowable in any year shall not exceed the amount the claimant would receive with respect to a homestead with an equalized value of \$200,000 in that municipality for tax year 1998.

V. If a homestead is owned by 2 or more persons as joint tenants or tenants in common, and one or more of such joint owners do not principally reside at such homestead, hardship relief applies to the proportionate share of the homestead value that reflects the ownership percentage of the claimant. Only one claim may be filed for a single homestead.

VI. Claims filed with the department of revenue administration shall be filed within 60 days of the due date of the taxes.

VII. Each claim shall be accompanied by a copy of the claimant's federal income tax return filed by the claimant for the immediately prior tax period. Claimants who were not required to file a federal tax return for the immediately prior tax period may submit an affidavit to such effect in lieu of a tax return which document shall include the claimant's social security number. Any documents submitted shall be considered confidential, handled so as to protect the privacy of the claimant, and shall be destroyed after all appeal periods have expired.

VIII. The provisions of RSA 359-C shall not apply to the documents required to be submitted under this section.

Amend RSA 198:52 as inserted by section 12 of the bill by replacing it with the following:

198:52 Rulemaking; Forms; Notice.

I. The commissioner shall adopt emergency rules under RSA 541-A relative to the administration of excess tax payments and the hardship relief provisions of this subdivision. Notwithstanding RSA 541-A:18, II, such emergency rules shall be effective for 180 days. After 180 days the commissioner shall adopt rules pursuant to RSA 541-A.

II. The commissioner shall approve and provide forms relative to the administration of this subdivision.

III. Claim forms shall include the following:

- (a) Instructions on completing and filing the form;
- (b) Sections for information concerning the claimant, the claimant's household, the property for which relief is sought and such other information as is reasonably necessary to determine the accuracy of the claim;
- (c) Instructions on appeal procedure and time limits relative to such appeals;
- (d) A place for the claimant's signature with a certification by the claimant that the claim is made in good faith and that the facts contained in the claim are true.

IV. The commissioner shall publicize notice of the education property tax hardship relief provisions in a suitable manner.

Amend RSA 198:53, II as inserted by section 12 of the bill by replacing it with the following:

II. The commissioner may assess and collect the amount of any sums granted for hardship relief relative to a fraudulent or erroneously paid claim including interest provided under RSA21-J:28 and an additional penalty of 25 percent for the erroneous amount of such claim or an additional penalty of the greater of 25 percent or \$1,000 for a fraudulent claim.

Amend RSA 198:54 as inserted by section 12 of the bill by replacing it with the following:

198:54 Appeals.

- I. Whenever the commissioner refuses to grant a claimant an education property tax hardship relief claim, the claimant may appeal in writing within 30 days of notice of such refusal to the board of tax and land appeals.
- II. When a taxpayer appeals the denial of a claim to the board of tax and land appeals, the board may reverse or affirm, wholly or partly, or may modify the decision brought up for review when there is an error of law or when the board finds the commissioner's action to be arbitrary or unreasonable.

Amend RSA 198:55 as inserted by section 12 of the bill by replacing it with the following:

198:55 Refund of Tax Claims. The department of revenue administration shall review a claim for hardship relief filed with it and, if such claim is determined to be valid, shall certify such amount to the state treasurer within 90 days. The state treasurer shall pay the claim to the claimant from funds in the education trust fund. The department shall notify a claimant whose claim is rejected in whole or in part of such determination within 90 days of the department's receipt of the claim and all required documentation.

Amend the bill by replacing all after section 15 with the following:

16 Appropriation. The sum of \$200,000 is hereby appropriated for the biennium ending June 30, 2001 from the education trust fund established in RSA 198:39 to the department of revenue administration for the purpose of administering the education property tax hardship relief provisions established in RSA 198:50-55.

17 General Fund; Deposit of Undesignated Surplus into the Education Trust Fund for the Biennium Ending June 30, 1999. Notwithstanding the provisions of RSA 9:13-e, the state treasurer shall deposit any general fund undesignated surplus as of June 30, 1999 into the education trust fund as established in RSA 198:39.

18 Estimate of General Fund Undesignated Surplus for Biennium Ending June 30, 2001; Lapses Adjusted. Amend 1999, 159:13 to read as follows

13 Estimate of General Fund Undesignated Surplus.

GENERAL FUND

(Dollars in Thousands)

FY 2000 FY 2001

Balance, July 1 \$0 [~~\$(3,509)~~] **\$1,491**

Additions:

Unrestricted Revenue

Unrestricted Revenue-Net of Medicaid 961,148 1,003,757

Medicaid Enhancement Revenues 63,700 65,300

Uncompensated Care 10,000 10,000

Total Unrestricted Revenue 1,034,848 1,079,057

Appropriations:

Gross Appropriations (Section 1) 1,064,842 1,093,465

Legislative Specials 530 455

Footnote Reductions/Adjustments 5,548 13,024

Reduction in Judicial Appropriation (4,563) (4,480)

Total Appropriations 1,066,357 1,102,464

Less Lapses [~~(26,000)~~] **(31,000)** [~~(26,000)~~] **(31,000)**

Lapse Percent ~~2.44%~~ **2.90%** ~~2.36%~~ **2.81%**

Net Appropriations [~~1,040,357~~] **1,035,357** [~~1,076,464~~] **1,071,464**

GAAP Adjustment 2,000 2,000

Current Year Balance [~~(3,509)~~] **1,491** [~~4,593~~] **9,593**

Balance, June 30 [~~(3,509)~~] **1,491** [~~1,084~~] **11,084**

19 Severability. If any provision of this act or the application thereof to any person or circumstance is deemed invalid, the invalidity does not affect the other provisions or applications of the act which can be given effect without the invalid provisions or applications and to this end the provisions of this act are severable.

20 Repeal. RSA 198:50-55, relative to education property tax hardship relief, is repealed.

21 Effective Date.

I. Section 20 of this act shall take effect July 1, 2003.

II. The remainder of this act shall take effect upon its passage.

1999-2229h

Floor Amendment to HB 999-FN-A-LOCAL

Proposed by Reps. Lozeau and Burling

Amend RSA 198:50, II as inserted by section 12 of the bill by replacing it with the following:

II. "Homestead" means the dwelling owned by a claimant or, in the case of a multi-unit dwelling, the portion of the dwelling which is owned and used as the claimant's principal place of residence and the claimant's domicile for purposes of RSA 654:1. "Homestead" shall not include land and buildings taxed under RSA 79-A or land and buildings or the portion of land and buildings rented or used for commercial or industrial purposes. In this paragraph, the term "owned" includes a vendee in possession under a land contract and one or more joint tenants or tenants in common.

Amend RSA 198:51 and RSA 198:52 as inserted by section 12 of the bill by replacing them with the following:

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I. Pursuant to the provisions of this subdivision, eligible claimants shall be granted education property tax hardship relief following the effective date of the reenactment of the statewide property tax under RSA 76:3 in this act.

II. Residents shall apply to the department of revenue administration for such relief.

III. An eligible hardship relief claimant is a person who:

(a) Owns a homestead or interest in a homestead subject to the education property tax;

(b) Has resided in such homestead for a period of one year, except such persons as are on active duty in the United States armed forces or are temporarily away from such homestead but maintain the homestead as a primary domicile;

(c) Realizes in any year after the effective date of the reenactment of the statewide property tax under RSA 76:3 in this act a net increase in property taxes, exclusive of municipal and county taxes, which exceeds the local education property tax portion of such claimant's local property taxes for the tax year ended March 31, 1999; and

(d) Realizes total household income of \$25,000 or less if a single person and \$50,000 or less if a married person or head of a New Hampshire household.

IV. A portion of the net increase in an eligible hardship relief claimant's property taxes, exclusive of municipal and county taxes, shall be rebated as follows:

(a) Deduct the municipal and county tax rates from the claimant's total current tax rate;

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(d) Multiply the amount computed in subparagraph (c) by the local assessed valuation from the 1998 property tax bill.

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II. When a taxpayer appeals the denial of a claim to the board of tax and land appeals, the board may reverse or affirm, wholly or partly, or may modify the decision brought up for review when there is an error of law or when the board finds the commissioner's action to be arbitrary or unreasonable.

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Amend the bill by replacing all after section 15 with the following:

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17 General Fund; Deposit of Undesignated Surplus into the Education Trust Fund for the Biennium Ending June 30, 1999. Notwithstanding the provisions of RSA 9:13-e, the state treasurer shall deposit any general fund undesignated surplus as of June 30, 1999 into the education trust fund as established in RSA 198:39.

18 Estimate of General Fund Undesignated Surplus for Biennium Ending June 30, 2001; Lapses Adjusted. Amend 1999, 159:13 to read as follows

13 Estimate of General Fund Undesignated Surplus.

GENERAL FUND

(Dollars in Thousands)

FY 2000 FY 2001

Balance, July 1 \$0 [~~\$(3,509)~~] **\$1,491**

Additions:

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Total Appropriations 1,066,357 1,102,464

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Lapse Percent 2.44% **2.90%** 2.36% **2.81%**

Net Appropriations [~~1,040,357~~] **1,035,357** [~~1,076,464~~] **1,071,464**

GAAP Adjustment 2,000 2,000

Current Year Balance [~~(3,509)~~] **1,491** [~~4,593~~] **9,593**

Balance, June 30 [~~(3,509)~~] **1,491** [~~1,084~~] **11,084**

19 New Subparagraph; Exemption from Purchasing Requirements. Amend RSA 21-I:18, I by inserting after subparagraph (k) the following new subparagraph:

(l) Purchases of services from private contractors by the department of revenue administration with respect to the administration of education property tax hardship relief claims under RSA 198:50-55.

20 Intent; Repeals. By repealing RSA 198:40 and RSA 198:41 in section 21 of this act, the legislature intends to reconsider the per pupil adequate education amount and the formula for determination of adequate education grants in light of the December 1, 2000 report of the adequate education and education financing commission.

21 Repeal. The following are repealed:

- I. RSA 76:3, relative to the education property tax.
- II. RSA 198:40, relative to the determination of per pupil adequate education cost and the adequate education grant.
- III. RSA 198:41, relative to determination of adequate education grants.

22 Repeal. The following are repealed:

I. RSA 21-I:18(l), relative to an exemption granted the department of revenue administration to contract for services with respect to the administration of education property tax hardship relief claims.

II. RSA 198:50-55, relative to education property tax hardship relief, is repealed.

23 Tax Policy Simulation and Forecasting Models. The legislative budget assistant, in consultation with the fiscal committee shall issue a request for proposals for the development and acquisition of a complete system of tax policy simulation and forecasting models for the state of New Hampshire including all necessary database development and training. The fiscal committee shall select and contract for the services of a qualified independent consultant and shall draw on existing sources of funds within the budget of the legislative budget assistant to fund the contract developed as a result of the selected proposal. The department of revenue administration and the department of administrative services shall provide such assistance as is requested by the fiscal committee, the legislative budget assistant, or the consultant in the development of databases for the models. The fiscal committee shall also develop a policy to allow access by the department of revenue administration and the department of administrative services to the system and training in its use. In the event certain tax models with databases from the Internal Revenue Service cannot reside in the office of the legislative budget assistant, then they shall be located in the department of revenue administration.

24 Severability. If any provision of this act or the application thereof to any person or circumstance is deemed invalid, the invalidity does not affect the other provisions or applications of the act which can be given effect without the invalid provisions or applications and to this end the provisions of this act are severable.

25 Effective Date.

I. Section 21 of this act shall take effect January 2, 2003.

II. Section 22 of this act shall take effect July 1, 2003.

III. The remainder of this act shall take effect upon its passage.

AMENDED ANALYSIS

This bill:

I. Establishes funding for an adequate education.

II. Establishes a uniform statewide education property tax.

III. Establishes education property tax hardship relief for certain taxpayers.

IV. Repeals RSA 76:3, relative to the education property tax, and RSA 198:40 and 198:41, relative to determination of per pupil cost and the amount of the adequate education grant.

V. Provides for tax policy simulation and forecasting model software for the legislative budget assistant.