

Priorities for New Hampshire Children | 2015

ECONOMIC SECURITY PRIORITY: Strengthen Homeowners Property Tax Relief

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BACKGROUND

New Hampshire's state and local tax system has long imposed greater responsibilities on low- and moderate-income families and individuals than on more affluent ones. In fact, research by the Institute on Taxation and Economic Policy finds that the poorest fifth of New Hampshire taxpayers face an effective tax rate of 8.6 percent, while the richest one percent enjoy a rate of just 2.4 percent.

Such inequities arise from the choices New Hampshire makes in imposing certain taxes and not others, as well as from the structure of the taxes it does employ. For instance, unlike many states that count heavily on property taxes, New Hampshire does not make wide-spread use of homestead exemptions.

Rather, New Hampshire relies on its relatively modest Low- and Moderate-Income Homeowners Property Tax Relief Program to mitigate the impact of its statewide property tax. Individuals with incomes of less than \$20,000 and married couples with incomes below \$40,000 who own a home in New Hampshire are eligible, through the program, for a rebate of a portion of the statewide property tax. The precise amount varies depending on one's income and on one's place of residence, but, in recent years, the average rebate paid has hovered just below \$200.

Critically, the number of taxpayers receiving rebates has declined sharply in recent years, falling from close to 24,000 in 2002 to just under 11,700 in 2012. The total amount of rebates paid out by the program has dropped markedly as well, shrinking from \$7.7 million in 2002 to \$2.3 million in 2012.

THE OPPORTUNITY

New Hampshire should strengthen its Low- and Moderate-Income Homeowners Property Tax Relief Program by updating key income and property thresholds for inflation and improving the application process. More specifically, it should:

Increase income eligibility thresholds to \$27,500 for single homeowners and \$55,000 for married couples. Doing so would bring such thresholds into line with changes in the cost of living since the program was instituted in 2002 and, more importantly, would allow thousands more Granite Staters to claim the rebate.

Raise the limit on the home value used to calculate the credit from \$100,000 to \$130,000, bolstering the maximum value of the rebate by roughly \$70 per year. Had this key parameter been indexed to inflation to ensure it maintained a constant real value when the program was first implemented, it would now be just over this level.

Change the time frame during which homeowners may claim the credit, so that it falls during the federal tax filing season. At present, the application period for the program is from May 1 to June 30, when low- and moderate-income homeowners have less assistance available to them in completing the necessary forms.

Enhance awareness of the program by requiring municipalities to include information about it in local property tax bills.

TAKE ACTION

NHFPI intends to pursue a multi-faceted strategy in advancing changes to the Low- and Moderate-Income Property Tax Relief Program. First, NHFPI will examine, via issue briefs and fact sheets, options for modernizing the program and the impact it would have on individuals and families struggling to make ends meet. NHFPI will use those analyses as the basis for legislative testimony and briefings as well as for earned media (op-eds, guest columns, letters to editor) to highlight for policymakers and the public the gains that could be realized. Lastly, NHFPI intends to collaborate with existing organizational partners to inform their advocacy on this topic.

NH CAN, as the state's leading network of organizations working to improve the well-being of New Hampshire's children, can amplify these efforts by disseminating such analyses to its members, serving as another voice in hearing rooms and in the media, and capitalizing upon longstanding legislative relationships.

REFERENCES AND RESOURCES

1. For more on the distribution of New Hampshire's tax system, see *Who Pays? A Distributional Analysis of the Tax Systems in All 50 States*, Institute on Taxation and Economic Policy, January 2013, available at: <http://www.itep.org/pdf/whopaysreport.pdf>.

2. For more on the approaches other states take in mitigating the impact of property taxes on low-income homeowners, see the Lincoln Institute of Land Policy's invaluable Significant Features of the Property Tax database, available at: http://www.lincolninst.edu/subcenters/significant-features--property-tax/Report_Residential_Property_Tax_Relief_Programs.aspx

3. For year-by-year data on New Hampshire's Low- and Moderate-Income Property Tax Relief Program, see the Department of Revenue Administration's Annual Report, available at: <http://www.revenue.nh.gov/publications/reports/index.htm>.

PRIORITY LEADER

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New Hampshire Kids Count is dedicated to improving the lives of all children by advocating for public initiatives that make a real difference. We ensure that laws, policies, and programs in the Granite State are effective and improve kids' lives.

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