

Senate Ways and Means Committee

Sonja Caldwell 271-2117

HB 316, relative to a statewide property tax exemption for commercial and industrial construction.

Hearing Date: March 22, 2017

Members of the Committee Present: Senators Sanborn, Giuda, Daniels, D'Allesandro and Feltes

Members of the Committee Absent : None

Bill Analysis: This bill establishes a local option commercial and industrial construction exemption from property taxation applicable statewide.

Sponsors:

Rep. F. McCarthy
Rep. Avellani
Rep. Hill
Sen. Bradley

Rep. Cordelli
Rep. Crawford
Rep. Hynes

Rep. Bucu
Rep. Comeau
Rep. Emerick

Who supports the bill: Rep. Frank McCarthy, Rep. Merner, Gary Abbott (Assoc. General Contractors), Bob Quinn (NH Assoc. Realtors)

Who opposes the bill: Will Anderson, Darryl Perry (Liberty Lobby LLC), Sen. Woodburn, Rep. Hoell

Who is neutral on the bill: no one

Summary of testimony presented:

Rep. Frank McCarthy

- This is enabling legislation that will allow governing bodies of municipalities to offer industrial entities up to a 50% break on property taxes for a period of up to 10 years.
- Each municipality will have to have warrant article.
- The bill gives municipalities great flexibility in how they draft the warrant article. It can be for commercial or industrial business, and the tax break can be from 5% up to a 50% maximum and the time period can be from 1 year up to 10 years.
- Once they adopt it they can change it the next year if they want.
- The tax base for any municipality can never go down as a result of this bill because the tax break is only on the difference between the original value and the increased assessed value as a result of the money an eligible entity puts toward new construction, rebuilding, modernize,

etc.

- The bill is revenue neutral for the state according to the DRA, however he disagrees with that. The money saved by the entity in taxes will be attributable to profit and the state will end up collecting more taxes.
- The exemption only applies toward municipal and local school property taxes assessed by the municipality.

Sen. Daniels said that if a company pollutes land and devalues the base below what it was to start with then a town could indeed see their tax base go down.

Rep. McCarthy said if they follow the rules they won't pollute and if they do they should be responsible for cleaning it up.

Sen. Daniels asked why he chose a reduction in the school property tax since it represents 75% of the tax we pay. He thought it would increase taxes for everyone else.

Rep. McCarthy said taxpayers have to vote to adopt this. Their taxes might go up in the short term but when the period ends their taxes will go down.

Sen. Giuda asked if there would be any loss to a community if a business is granted the exemption and then fails or leaves the area.

Rep. McCarthy said he doesn't think so because the business is paying taxes on the original value of the property; the tax break is only on the value of whatever improvements they make.

Sen. Sanborn said if this applies only to new construction of property there might not be any additional tax burden placed on taxpayers.

Sen. Feltes read testimony on behalf of Sen. Woodburn.

- Recently the NH house passed a bill that would radically alter an effective economic development tool for Coos County that has resulted in 300 new jobs since its inception in 2009.
- The benefit enables Coos County communities to provide short term tax breaks to developers that will invest in their community.
- HB316 will change the existing law to include the entire state rather than just Coos County.
- If we make this available to counties that have advantages that Coos County lacks, Coos County will lose out.
- Providing a small advantage to the state's poorest county is a minor step toward leveling the playing field.

Rep. Troy Merner

- He has been a Coos County economic development director.
- They have used the tax break a few times.
- He doesn't think this bill will hurt Coos County.

Darryl Perry – Liberty Lobby LLC.

- In other parts of the country this concept has had negative impacts on communities.
- When tax breaks run out, businesses close or move and sometimes they cause other businesses to go out of business in the meantime.
- He questioned why this is only limited to commercial and industrial businesses and not residential.
- He suggests reducing taxes across the board and not picking winner and losers. This gives

special benefit and protection to a special class.

Rep. Hoell

- He is in favor of reducing taxes but good tax policy is broad in application.
- This bill is very narrow in scope. It grants a special exemption for a certain group of people.
- A better local policy would be to allow towns to set lower rates for all citizens.

Sen. Giuda asked how this bill could harm a community.

Rep. Hoell gave an example: a town pays to put in new gas or sewer lines for a new business and they bond the development of infrastructure for that business, which is getting the tax break and then that business leaves 6 years later, the town would be on the hook for 20 years for the bond.

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Date Hearing Report completed: March 24, 2017