

Senate Ways and Means Committee

Sonja Caldwell 271-2117

SB 102, adopting omnibus legislation on property taxation.

Hearing Date: March 8, 2021

Members of the Committee Present: Senators Giuda, D'Allesandro, Daniels, Hennessey and Rosenwald

Members of the Committee Absent : None

Bill Analysis: This bill adopts legislation relative to:

- I. Postponing assessment reviews and reappraisals of property.
 - II. A property tax relief program for qualifying residential property in a designated residential property revitalization zone.
 - III. Allowing towns and cities to adopt a property tax exemption for certain renewable generation and energy storage systems.
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Sponsors:

Sen. Perkins Kwoka

Who supports the bill: Sen. Perkins Kwoka, Sara Holland (NH Assoc. of Realtors), Sen. Kahn, Sen. Prentiss, Elizabeth Vaughan, Kyle Leach, Rick Becksted (Portsmouth), Evan Oxenham, Lucinda Hope, Richard Demark, Susan Bruce, Stephanie Osborne, David McConville, Nicole Fordey, Ruth Larson

Who opposes the bill: Jim Michaud, Norm Bernaich (Hanover), Dan McGuire (Granite State Taxpayers), Alvin See, Dan Langille, Cindy Kudlik

Who is neutral on the bill: Carollynn Lear and James Gerry (NHDRA)

Summary of testimony presented:

Part One

Sen. Perkins Kwoka

- She filed this bill on behalf of the City of Portsmouth.
- This would postpone property tax assessments during the tax year beginning April 1, 2021. Any appeal filed for the property tax year beginning April 1, 2021 will utilize the 2020 median equalization ratio as established by the DRA for abatement purposes.

- This will prevent property owners from having their tax assessments occur during an artificially inflated real estate market. Assessing property during this time will make it harder for people to stay in their homes.
- The City of Portsmouth will not need to conduct reevaluation this year, but other communities might be interested in this procedure.
- She noted that it would be important to hear from the DRA to ensure there are no unintended consequences to the bill.

Carolynn Lear and James Gerry – DRA municipal and property division

- DRA takes no position on part one.
- Assessment review is the process of reviewing municipal records once every five years to determine the degree that each municipality achieves substantial compliance with applicable statutes and rules. The municipal and property division conducts these reviews using standards established by the Assessing Standards Board. The DRA provides oversight to ensure that the \$4 billion collected annually in property taxes is assessed fairly, accurately, and lawfully.
- Each year, approximately 1/5 of all cities and towns in NH are subject to assessment review. As part of this process, the DRA reviews 1,750 properties statewide for accuracy in assessments. They review another 750 properties for revised inventories. Those are things like building permits, construction and deconstruction. They work with city officials and assessors to ensure exemptions and credits are processed correctly. They look at assessing practices in a town. In total, they review over 5,000 records statewide annually. It's about the quality of assessing work done over 5 years since their last assessment review.
- DRA is concerned that prohibiting assessment review will create a backlog that staff will not be able to recover from. Instead of the typical 1,750 reviews and 750 in revised inventories, in 2022 they would be facing 3,500 views, 1500 revised inventories and have to review over 10,000 records.
- In 2020 and into 2021, the DRA was able to successfully conduct assessment review under strict protocols. They only went into cities and towns with less than 11 active Covid cases. They wore masks, social distanced and never went into a property, even if asked. In 2020, they performed over 1,100 reviews and field work and received no complaints from the public.
- They believe assessment review is vital. Suspending assessment review for a year will create a backlog they cannot easily recover from. They believe assessment review can be done for most all cities and towns safely.
- Right now, 78% of NH towns meet their protocols regarding Covid cases.

Sen. Giuda asked what the impact on towns would be in terms of tax revenue if this bill passes. Mr. Gerry said it wouldn't impact tax revenues at all. Overall tax revenue is not based on assessed valuations. It's based on a simple formula, which is total appropriations minus all revenue that is not property tax revenue and that equals your property tax burden. Where assessed values come is how is that tax burden distributed on the property owners of a city or town. If your tax burden rises proportionally with everyone else, the amount of property taxes you pay will not change.

Jim Michaud

- This bill is unconstitutional, as the Constitution requires valuation every five years.

- If this bill passes and communities are allowed to go more than 5 years, any tax bills they send out for 2021 would be uncollectable based on an unconstitutional application of the law.
- Communities are under contract to get a reevaluation done this year and are already well into the process.
- This proposal causes legal havoc with property settlement agreements.

Norm Bernaiche – Director of assessing in Hanover.

- Hanover is under an order by the BTLA to be done this year. They are financially obligated to finish it this year.
- They are having great success finishing the job because of covid because people are actually home. They have more contact with the tax paying public.
- They do safely distanced inspections. They do facetime and zoom, based on what the taxpayer preference is.
- He doesn't see a reason to suspend reevaluations.
- Hanover would lose \$400,000 in tax revenue or it would be shifted to people with existing property. If one built a house this year and the reappraisal of property was suspended, they would not get taxed on the new home.

Paul Smith – CEO of Vision Government Solutions.

- They are a reevaluation vendor. They are working with Manchester and other communities in NH.
- The purpose of the bill was well intentioned but there are a number of unintended consequences.
- The first issue is equity. You would get a free ride if you built a new structure this year.
- Other municipalities do reevaluations more frequently to avoid shock to taxpayers. If we pause the process, you can't stop values from going up. It will create a harsh shock to taxpayers.
- Third, it will cost cities money. A number of projects have started. Vendors who have done the work will have to redo it all and they will have to pay twice for the same project.

Daniel McGuire – Granite State taxpayers

- Property tax is simple, fair and easy to understand.
- The goal of part two of the bill is to have better housing quality.
- The goal of part three is to have more renewable power.
- These are laudable goals, but taxes are the wrong place to do them.
- There is no fiscal note with this bill. No one can answer the question if we pass the bill how much of that goal is accomplished because it has to do with how people will respond to tax incentives, and that can't be known ahead of time.
- This is the wrong place to do this sort of thing. It should be done in the budget to achieve policy goals.

Sen. Rosenwald asked if he is opposed to the veterans and elderly tax credits.

Mr. McGuire said yes. He does think that is the wrong way to do it.

Part Two
Sen. Kahn

- This part is relative to a property tax relief program for qualifying residential properties in a designated residential property revitalization zone. The idea of this is explained at the bottom of page two of the bill and the top of page three.
- As background information, this was introduced as SB152 last year and passed the Senate but did not make it through the rest of the process.
- The purpose of the bill is still needed. Keene wants the authority to designate a residential revitalization zone.
- Revitalization is the definition of what is a residential home, which is 4 or less units. It is a property that has improvements on it that are 40 years old or greater.
- The idea is that the city has the opportunity to designate an area that has aging properties in need of significant improvements and through these investments there would be some tax relief over a defined period of time of five years or up to ten years. It can be up to 20% of the total amount of the improvement value. For example, if a \$180,000 property had improvements that raised the value to \$230,000 of assessed valuation, that \$50,000 difference would provide a \$10,000 tax abatement in the valuation for that property during that five to year period.

Sara Holland – broker and owner of Sarah Holland & Company and VC of NH Assoc. of Realtors public policy committee

- The Realtors support part two of the bill: the community revitalization tax incentive program to encourage rehabilitation of underutilized structures.
- Adding 40-year-old structures will add housing stock and revitalize downtown.
- NH has a vacancy rate of nearly 0%. They have received 50 requests for long term rentals in the last two months but have no way to help.
- The lack of inventory is driving up prices.
- The tax credits are voluntary. They can choose to use this or not. It gives towns an option.

Part Three

Sen. Prentiss

- This allows towns and cities to adopt a property tax exemption for certain renewable generation and energy storage systems. Lebanon has official commitments or plans to accelerate a shift to renewable energy and away from fossil fuels. For Lebanon, this involves master plan goals and relying on as much local renewable energy as possible.
- The world is in an accelerating climate crisis.
- One obstacle to local progress is how we apply property tax to renewable generation and storage, and more specifically, third party owned solar array systems. Limiting the exemptions to only these systems serving government is problematic. They don't want to tax third party array serving systems.
- One example in Lebanon is low and moderate income, resident-owned manufactured homes served by a solar array. If the municipality doesn't have the ability to exempt this, any savings they would realize would be lost.
- This is a local option. It allows municipalities to specify the provisions for a property tax exemption or credit and the manner in which it is determined.

Clifton Below – Assistant Mayor of Lebanon.

- This bill originates from SB530 from last session, which sought to clarify existing exemptions for solar, wind, wood energy and storage. Those existing local option exemptions don't pertain to state property taxes.
- The City of Lebanon has procured solar systems with third party ownership so they could take advantage of the federal tax credit. The City sought a legal opinion on whether they could exempt the solar system itself even though it was not the underlying property owner. The underlying property owner is the municipality. The legal opinion was that the existing exemptions only apply to the underlying property owner, so if the solar system is owned by a third party, they can't get the exemption.
- They found a work around but it's a problem for nonprofits where a third party might finance construction of a solar system.
- In New England, most electricity comes from natural gas. Renewable systems have higher capital costs. When you tax them based on the cost to construct, the burden per kilowatt hour on solar is 7 times that of natural gas.
- Last year's bill sought to amend existing statute so they could include the actual systems even if owned by a third party. The municipal association and the assessor's association were concerned that we not change an existing exemption that would change what a municipality had already voted on. This bill arose from a proposed amendment that was worked out with the municipal association and the assessor's association. It's a separate, local option. DRA adds these values back in for equalization purposes. It does not exempt them from the statewide property tax or utility property taxes that would apply.
- It uses the existing definition of renewable energy.

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Date Hearing Report completed: March 11, 2021