

New Hampshire Department of Revenue Administration

Fiscal Note Quick Guide

19-1029

SB 95, *establishing a working families property tax refund program.*

Senate Ways & Means

The proposed legislation amends RSA 198, establishing a working families property tax refund program. It establishes a refund of statewide education property tax (SWEPT) to eligible taxpayers who receive the federal child and dependent care tax credit pursuant to Internal Revenue Code Section 21.

The refund is equal to the lesser of 50% of the claimant's federal child and dependent care tax credit, or the total amount of the SWEPT paid by the claimant for the claimant's homestead less any property tax relief already provided by the low and moderate income homeowners property tax relief program (RSA 198:57).

The DRA administers the working families property tax refund program. Completed applications for the refund must be filed with the DRA between May 1 and June 30 following the due date of the final property tax bill. The DRA reviews any claims and certifies the amounts to the state treasurer within 120 days. The state treasurer pays the claims from funds in the education trust fund.

To administer the proposed legislation, the DRA would need at least one additional position at the total salary and benefit cost noted below (and in the attached Position Worksheet) as well as create new forms and update its information management systems.

	FY 2020	FY 2021	FY 2022	FY 2023
Salary (Labor Grade 12, with annual steps)	\$57,000	\$59,000	\$62,000	\$65,000

The DRA determined that the fiscal impact is indeterminable but would increase State expenditures from the Education Trust Fund. Although the SWEPT is retained locally (and not by the State), the proposed legislation would require the State to pay SWEPT refunds from the education trust fund.

The DRA cannot calculate the amount of refunds that the State would need to pay in any year, because it does not have access to data indicating the number of would-be eligible claimants, the federal child and dependent care tax credits they would receive, or the SWEPT they would pay.

Secondly, the proposed legislation provides that the refund would be equal to the lesser of (1) 50% of the claimant's federal child and dependent care tax credit, or (2) the total amount of the SWEPT paid by the claimant for the claimant's homestead less any property tax relief already provided by the low and moderate income homeowners property tax relief program.

However, to calculate a possible fiscal impact, the DRA used data provided by the Internal Revenue Service (IRS) and the US Census Bureau. Based on the data provided by the IRS, the total amount of federal child and dependent care tax credits received by New Hampshire taxpayers in tax year 2016 was \$7,526,000. This is the most recent data available. Furthermore, according to the US Census Bureau, the 2016 rate of owner-occupied housing in New Hampshire was 70.7%. For tax year 2016, the total amount of child and dependent care tax credits claimed by New Hampshire taxpayers was \$7,526,000. 50% of this amount would be \$3,763,000, which is the hypothetical amount that the State would pay if all the taxpayers receiving the credit were also eligible claimants under the working families property tax refund program. If 70.7% (the 2016 rate of owner-occupied housing in New Hampshire) is applied to the total amount of federal child and dependent care tax credits claimed by New Hampshire taxpayers, the number is \$2,660,441. But this is likely overstated. It assumes that 50% of the claimant's federal child and dependent care tax credit is always less than the SWEPT paid by the claimant (which is unlikely), and that no claimants receive property tax relief under the low and moderate income homeowners property tax relief program.

Lastly, there is no applicability date. The proposed legislation would take effect July 1, 2019, but does not specify whether it applies to the tax year commencing April 1, 2019 (tax year 2019) or the succeeding year. If the proposed legislation applies tax year 2019, it would take effect after the application deadline for the working families property tax refund.