

DON'T LET STATE GOVERNMENT DOWNSHIFT COSTS TO LOCAL COMMUNITIES

Communities across New Hampshire have been hit hard by the COVID-19 pandemic. Downshifting costs from state government onto local property taxpayers would only make a bad situation worse.

- As state tax collections fall, policymakers in Concord will face many difficult choices as they work to balance the budget. **Shifting costs from state government onto the backs of homeowners and local businesses will aggravate the burden of property taxes in our state.**
- **If the Governor and the Legislature reduce state aid to schools, cities, and towns, families and businesses will have to make up the difference.** "Downshifting" the costs of providing vital public services on to hard-hit communities would only put more pressure on local property taxes at a time when many are struggling like never before to make ends meet.
- **Policymakers should instead aim to shore up state revenues in the months ahead**, whether through short-term solutions, such as borrowing against future tax collections, or by adopting longer-term tax reforms targeted to those best able to weather the current crisis.



Local communities are still paying the price for the “downshifting” that followed the Great Recession a decade ago.

- In the wake of the 2008 Great Recession, New Hampshire halted the **general revenue sharing** program that had been a fixture of state and local finances since the 1970s. It has yet to restore that program in full.
- Just prior to the Great Recession, New Hampshire directed over \$40 million in **school building aid** to local districts each year. A 2011 moratorium on new projects – which has never been lifted – has led to a steady decline in that aid and to a waiting list of roughly \$650 million in school construction and renovation projects.
- Between 2010 and 2013, New Hampshire completely phased out the **contributions to the New Hampshire Retirement System** that it had been making on behalf of police, firefighters, and teachers for decades, permanently forcing local governments to make up the difference.
- Despite its **constitutional obligation to provide an adequate education to every New Hampshire child**, state government pays less than one-third of the cost of a public school education. Over the past decade, state aid has stagnated or shrunk, putting another \$500 million in pressure on local taxpayers.

New Hampshire families cannot afford another round of “downshifting” and the renewed pressure on local property taxes that would come with it.

- **The property tax is already the single largest tax in New Hampshire – by far.** In 2018, property taxes in New Hampshire totaled nearly \$3.7 billion, almost five times the amount of revenue the state’s two business taxes produced.
- **Taxes in New Hampshire are quite low overall, but property taxes are already the highest in the country.** US Census Bureau data indicate that state and local taxes in New Hampshire amounted to 8.4 percent of personal income in 2017; only five states had a lower overall level of taxation. Yet, state and local property taxes equaled 5.57 percent of personal income; no other state exceeded that figure.
- In a recent survey of its member cities and towns, the New Hampshire Municipal Association (NHMA) found that **“the financial impact of the COVID-19 pandemic is of grave concern to municipalities,”** due, in part, to the likelihood of delayed property tax payments.
- **Higher property taxes would make existing economic inequalities even worse.** Research from the Institute on Taxation and Economic Policy suggests that middle-income taxpayers in New Hampshire have an effective property tax rate of 6.3 percent, while the very richest 1 percent of taxpayers face a rate of just 1.9 percent.

Nothing Even Comes Close to the Property Tax

Major sources of tax revenue in New Hampshire in 2018 (in \$M)

