

Proposal for Implementing the Commercial and Industrial Construction Exemption in RSA 72:80-93

Final Draft 11-29-2017

The Allenstown Economic Development Committee has agreed upon the following way to implement the new tax exemption for commercial and industrial. It was agreed that this is the ideal methodology.

As stated in RSA 72:81, "The intent of this exemption is to provide incentives to businesses to build, rebuild, modernize, or enlarge within the municipality. The exemption shall apply only for municipal and local school property taxes assessed by the municipality ..."

Proposal

Tax exemption of 50% to 0% over 10 years, dropping by 10% every two years. Specifically,

Year 1 & 2: 50%

Year 3 & 4: 40%

Year 5 & 6: 30%

Year 7 & 8: 20%

Year 9 & 10: 10%

Year 11 and on: 0%

The effective date if adopted is April 1, 2018.

Benefits

This methodology provides the following benefits.

- The initial 50% tax exemption offers a major incentive to businesses, but guarantees that the town will benefit from the other 50%. The proposal makes Allenstown a desirable business location.
- Allows business owners to use the exempted taxes to improve their business during its initial years of operation.
- Gives business owners an assurance that the property taxes will increase at a slow, fixed rate as the exemption diminishes. (Overall tax rates and property values are outside the scope of this proposal.)
- Offers residents new goods or services and new employment opportunities.
- The RSA specifically restricts the tax exemption to businesses, but residential taxpayers benefit from this indirectly. Every two years, the business pays more in taxes as the exemption drops.

Example

As an example, consider a new business that has come to town and has an assessed value of \$1,000,000. For simplicity of calculation, it is assumed that the current tax rate (\$32.11) does not change over 10 years and the property value also remains constant.

With no tax exemption, that business would have to pay \$32,110 per year or \$321,100 over 10 years.

With the proposed exemption methodology, the business would pay the town \$16,055 for the first two years, \$224,770 in taxes over 10 years, but the business would save \$96,330 in taxes over 10 years. In addition, the town would receive \$3,211 more in taxes as the exemption percentage dropped.

The tax exemption will still add tax dollars to the revenue stream with little or no increase in town services, especially no increase in school students. This implies a slight drop in the tax rate because of a slight increase in tax revenue, all other factors held constant.

In the proposal's example, the new business would pay \$16,055 in taxes the first year. All other things being held constant, that means the rest of the town would pay \$16,055 less. The more taxes collected from new or upgraded businesses, the less the rest of the town has to pay.

Respectfully submitted,

The Economic Development Committee

Michael Frascinella, Chairman

Chad Pelissier, Vice Chairman

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