

# THE COST OF GROWTH



## THE REPORT OF THE PROPERTY TAX EQUITY COMMITTEE

PRESENTED TO

THE BOARD OF SELECTMEN  
AND  
THE RESIDENTS OF HOLLIS NH

OCTOBER 2006



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## Executive Summary

The Property Tax Equity Committee came into existence following the 2005 Town Meeting when the Hollis voters authorized its formation. The purpose of this effort was to understand the consequences of local property taxes to Hollis taxpayers. Any Hollis resident who wished to participate was welcome to do so and many did. We have tried to avoid value statements that certain consequences of taxation are “good” or “bad” because these and similar labels often get in the way of thoughtful discussions. This is not a political document nor do we offer solutions. Our intent is to provide helpful information. If discussions and debates become more enlightened and thoughtful, then we will have succeeded.

A summary of how the property tax is calculated begins our discussion. This shows that our community, like virtually every other New Hampshire town, has three tax districts: local government, schools, and the county. (County taxes have been set aside because we have no control over them.) Annual increases in expenditures are then reviewed. With the exception of 2002 when all property in Hollis was reevaluated, our tax base has increased at an annual rate of between 2.5% and 3.0% since 1996. This is reviewed in the next section.

While this report focuses on the population growth of our community, population growth is not the only reason why an increase in the tax base is insufficient to pay for annual increases in the expenses of the town and the schools. Inflation, increased environmental regulations, the cost associated with the issuance of bonds, and contractual benefits for employees of the town and school districts are only a few examples of forces that contribute to the fact that in Hollis, the gains achieved by population growth are outstripped by rising expenses. We suggest, however, that growth in our population is a major contributor to the problem.

The impact of rising property taxes on various income classes is next discussed revealing the fact the lower one’s income is, a greater proportion of the AGI is required for property taxes as compared with residents with higher income.

A fundamental assumption of the Tax Equity Committee was: “We believe that some citizens of Hollis are facing financial pressures from increasing property taxes.” We are now convinced that this assumption was correct, based on a survey sent to all taxpayers in late May 2006.

The survey response rate was 51.7%. The average age was 56 (median 55) and the average length of time the respondent had lived in Hollis was 16 years (median 13).

## Indisputable Conclusions

- **Our town's estimated population in 2004 of 7,530 was nearly 3 times the 1970 population of 2,616. (Figure 4)**
- **The assessed value of Hollis property has doubled since 1996 and now exceeds one billion dollars. (Figure 5)**
- **The local property tax supports nearly all of the cost of public education. (Figure 3)**
- **Local property taxes that support town government rose sharply in 2005 due, in part, to the cost of land acquisitions. (Figure 2)**
- **Taxpayers with lower incomes pay a greater percentage of their income in local property taxes than do higher income taxpayers. (Figure 6)**
- **Local property taxes consume more than 15% of the adjusted gross income for 20% of Hollis taxpayers. (Survey analysis)**
- **Residents who have lived in Hollis for a long time and are older pay a greater proportion of their adjusted gross income in local property taxes than do younger residents who have lived here for a short time.**
- **Nearly 80% of Hollis residents see a time when property taxes will play a major role in deciding to sell their home.**
- **Public support of schools accounts for approximately 80% of local taxes; public support of town expenses has varied from 13% to 17% since 2001.**

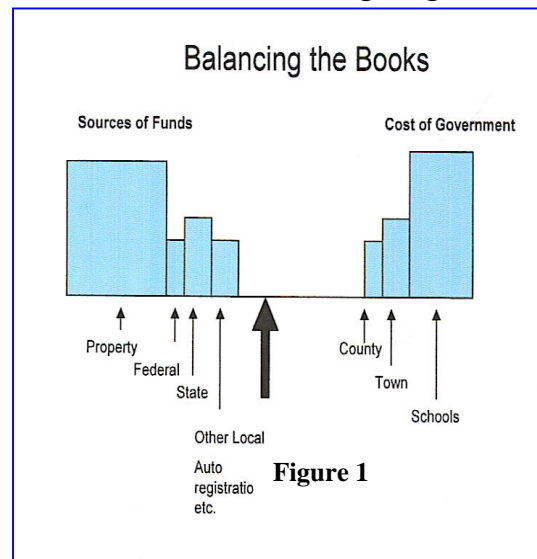
There are a number of ways to address these issues that are set forth in detail in the final pages of this report. **Reverse mortgages** offer a simple and powerful way for some homeowners to realize funds from their property prior to a sale. A variety of state and **local tax relief measures** are also available. A summary of how other states have approached the problem of rising property taxes then follows.

Finally, it is possible, given today's economic climate, that a town, *by itself*, cannot meet the demands of its citizens, and cope with inflation while simultaneously controlling significant annual increases in the property tax. If this is true, then it appears likely that individuals with modest or middle incomes will experience economic difficulties when purchasing or maintaining property in Hollis or any other New Hampshire town with similar growth and inflationary trends.

## Balancing the Books

Each fall, the Board of Selectmen and the two school boards (Hollis Elementary and Hollis/Brookline Cooperative District) conduct a series of meetings and listen to budget requests for the coming year. These are not held in the proverbial “smoke-filled room” but are public sessions open to anyone wishing to attend. This is the time when Town department heads and school principals lay out their proposals for the coming year. All of this is under the watchful eye of the budget committees of these three taxing districts. Along the way, an estimate of what is due to Hillsborough County comes in. By January, this process has yielded a working figure which is then subjected to another round of public hearings conducted by the budget committees. Finally, in early February, the spending requests are placed on the warrants to be voted on at the public meetings held on the second Tuesday of March.

But expenses are not the only matter of concern. How is this going to be paid for? The answer to this question lies in calculating how much money the Town and School Districts are going to receive from Federal programs, the State of New Hampshire and, in the case of the town, other local sources such as automobile registrations and dog licenses. Once this is agreed upon, the property tax rate is calculated to balance the budget based on the assessed value of all Hollis property as determined each April.



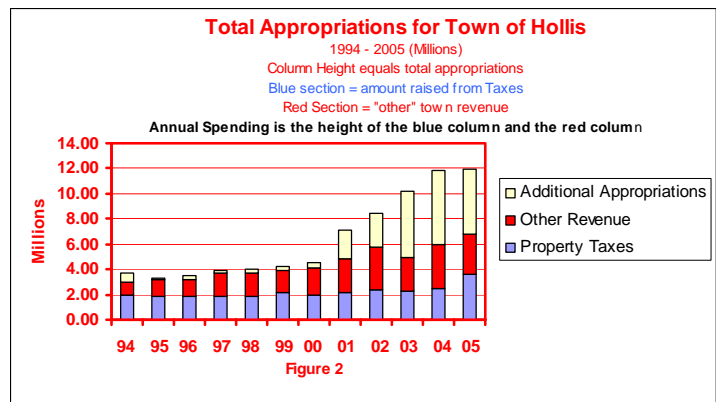
Hollis, like every other town in New Hampshire, cannot propose a “deficit budget.” Hollis cannot, like the Federal government, have major expenditures “off budget” or print additional money to make up the difference. Our budgets must, by state statute, be balanced as shown in Figure 1. (Note – the size of the various blocks is representational and should not be considered to be proportionate to actual expenditures or revenues.)

All of which brings us to the calculation of the tax rate.

## Checking up on Costs

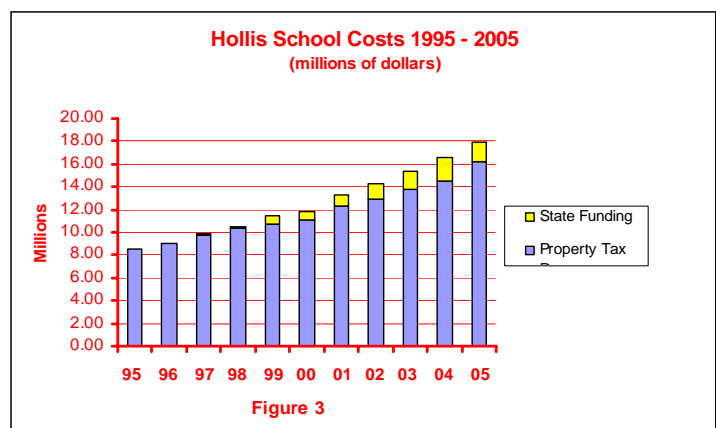
At Town and School District Meetings<sup>i</sup>, citizens **appropriate** (this is a fancy term meaning we give spending authority to our elected officials) funds in support of local government and schools. (County appropriations will be set aside because the amount is not determined at the local level and do not account for a significant amount of the tax burden.) *Appropriations* are not the same as *spending* as, for example, a bond *appropriation* in 2001 will be paid off by future *spending* over the life of the bond. **Property tax rates are based on anticipated *spending*** for the calendar year. The distinction between appropriations and spending must be kept in mind when looking at charts and data that attempt to explain issues relating to tax rates. Finally, each taxing entity has other sources of income besides the property tax as has been noted previously. There are, however, important differences in “other revenues”<sup>ii</sup> between Town government and public education as will be explained below.

**Town Government:** Our Town has many sources of revenue (c.f. pg. 26 of the 2005 Town Report), the largest of which comes from the licensing of motor vehicles. In 2005, this brought in \$1,607,183 to the town coffers, all of which was used to support the cost of town government. In all, for 2005, a



total of \$3,255,789 came from these “other sources of revenue” shown in red in Figure 2. This amount, unfortunately, fell well short of increased town obligations because of the previous bond authorizations for capital costs and land preservation, hence the increase in the blue column.

**Public Education:** Local property taxes (shown in blue in Figure 3), totaling slightly more than \$16 million of an \$18 million dollar budget in 2005, predominately support public education but are supplemented by the state “adequacy aid” (shown in yellow in Figure 3) that is sent to Hollis because of its status as a “receiver town.”





## Growing Up

Rapid and significant population growth demands major community infrastructure improvements such as new expensive education facilities, new roads, and municipal buildings. Growth will also require more human resources. In short, periods of growth require money and lots of it.

In 1790, the population of Hollis was 1,441. In 1950, our town's population was 1,196, the majority of whom were engaged in some form of activity related to agriculture.

Then, the picture changed rapidly as shown in Figure 4<sup>iii iv v</sup> where, in one decade (**1970-1980**), the town's population nearly doubled, leaving behind a somewhat romantic and bucolic picture of how we once were. As of 2004, according to one authority, Hollis is now an "exurban" community as defined by its population density of 236.8 people/square mile.

<b>Growth of Hollis, NH 1970 - 2004</b>		
Year	Pop	% Increase
1970	2616	
1980	4679	78.86 %
1990	5705	21.93 %
2000	7015	22.86 %
2004*	7530	7.34 %
*Estimate		

**Figure 4**

New home construction in Hollis has produced an impressive and substantial increase in the Town's assessed valuation. (Figure 5)<sup>vi</sup> Unfortunately, this increase

in the tax base has not been adequate to cover the cost of growth, inflation, federal and state regulations, and employee benefits to name only a few of the contributing factors. We'll use one example from the Town but the same problem is evident in the school districts. In 2004, \$2,487,215 was raised by property taxes. In 2005, this figure rose to \$3,621,405.<sup>vii</sup> One way to look at this is that although the total assessed value of Hollis property in 2005 was significantly greater

Year	Town Valuation	% Change
1996	\$492,589,565	
1997	\$505,060,870	2.53 %
1998	\$517,359,926	2.44 %
1999	\$534,621,963	3.44 %
2000	\$551,116,740	3.09 %
2001	\$567,624,770	3.00 %
<b>Revaluation</b>		
2002	\$931,857,132	64.17 %
2003	\$955,151,932	2.50 %
2004	\$983,335,963	2.95%
2005	\$1,014,018,727	3.12%

**Figure 5**

than in 2004, property values could not support the proposed level of spending without an increase in the tax rate. To summarize, revenues received from annual increases in the tax base do not cover the authorized spending that voters approve at the March Town Meeting, the Hollis Elementary School District and the Hollis/Brookline Cooperative District. Note: County appropriations are not considered here because they are set by County Commissioners and thus are outside of local control.

Why, we might ask, does this prove to be so detrimental to individuals who are living on a low income, or a low fixed income? To understand this, we now turn our attention to an examination of how the property tax works.

## A Taxing Problem

Reasonable people will, for the most part, acknowledge the need for public services (roads, public safety, schools, et cetera). The question of *how much* should be spent for public purposes commonly surfaces when significant tax increases occur annually.

New Hampshire is one of two states (Alaska is the other) that have neither an income nor a sales tax. There is no disputing New Hampshire’s singular reliance on the local property taxes to fund schools and the costs of local government.

The structure of the property tax creates a disparity in the percentage of income that is paid in taxes as shown in Figure 6.<sup>viii</sup>  
<sup>ix</sup>(Note: these figures apply to “non-elderly” taxpayers.) The lower the income, the greater proportion is paid in state and local taxes. For example, a New Hampshire property owner with an annual income of \$44,000 per year pays, on average, 4.7% of their income in property taxes whereas a property owner earning \$226,700 pays, on average, 2.9% of their income in property taxes.

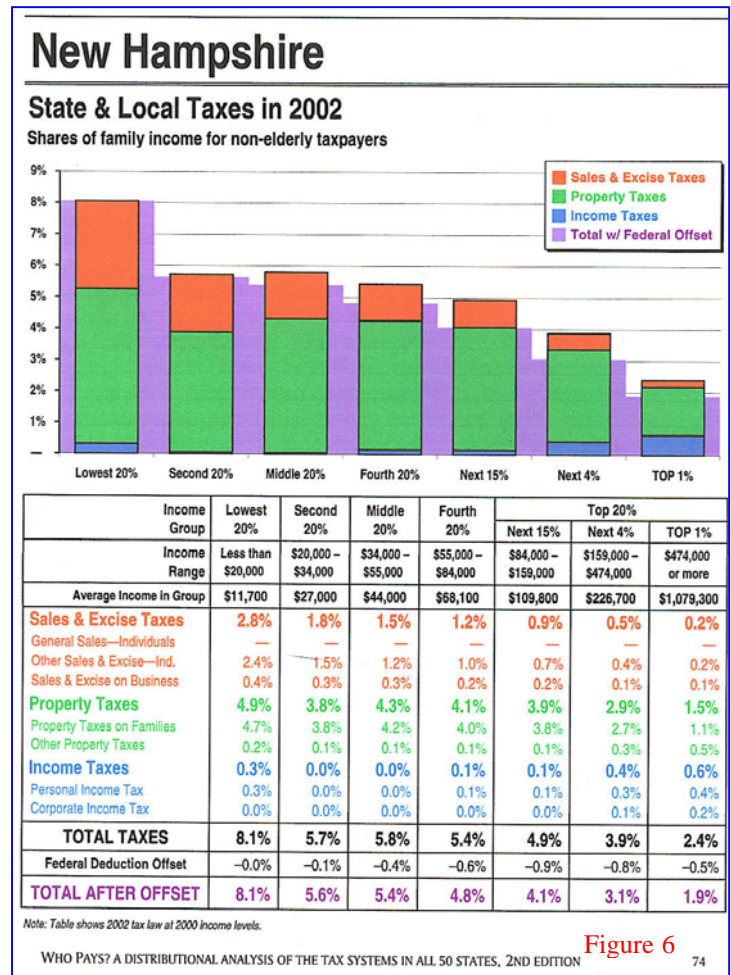


Figure 6

Clearly, the way out of this problem is to generate more income. But for some Hollis residents, an increase in income is not possible bringing us to the reason this committee was created – the problem for all residents, regardless of their age, who are on “fixed incomes” or hold lower paying jobs with little opportunity for significant income advancement, or residents with emergency expenses or who become unemployed. These individuals, unless qualified for the elderly exemption, are doomed to annually pay a greater and greater fraction of their income in taxes.

## Surveying the Property Tax Landscape – June, 2006

A fundamental assumption of the Property Tax Equity Committee was: *“We believe that some citizens of Hollis are facing financial pressures from increasing property taxes.”* We are now convinced that this assumption was correct based on a survey<sup>x</sup> sent to all taxpayers in late May, 2006. 2,666 survey questionnaires were sent out. On June 10, 48% had been returned (1,268) and were submitted for statistical analysis. Subsequent to this date, another 110 survey questionnaires were sent back. Overall, therefore, the response rate was 51.7%, an astonishing figure for any survey.

The average age was 56 (median 55) and the average length of time the respondent had lived in Hollis was 16 years (median 13).

1,165 replies were suitable for analysis: The results are startling and should prompt concern in our community. (Figure 7)<sup>xi</sup> **Local property taxes consume over 15 percent of the adjusted gross income for 1 out of every 5 Hollis taxpayers.** Additional statistical analysis was done by *The Survey Center UNH*:

- **Older residents pay a significantly higher percentage of their household income on property tax than do younger residents.**
- **Residents who have lived in Hollis for long periods of time pay a significantly higher percentage of their household income for property taxes than do more recent arrivals. (Age and years lived in Hollis are highly correlated.)**

Ratio Hollis Taxes/AGI	Number
Less than 1%	25
1% - 4.9%	185
5% - 9.9%	465
10% - 14.9%	270
15% - 19.9%	96
20% - 24.9%	54
25% - 29.9%	23
30% - 34.9%	19
Greater than 35%	28
<b>Figure 7</b>	<b>Total 1165</b>

- **61% of residents foresee a time when the amount they are required to pay for property taxes may make it difficult to pay for the necessities of life. There is no significant difference in this concern among age groups.**
- **78% of Hollis residents foresee a time when the cost of owning property in Hollis may play a major role in deciding to sell their home. There is no significant difference in this concern among age groups.**

## Addressing the Issue

### What is possible now?

**Tax Liens** The word *lien* means someone or some entity holds a claim to a piece of property and a tax lien is the most common form of tax deferral used by the Town of Hollis. There are significant fluctuations in the number of property owners upon whom the town holds a lien because property owners come on and off the list as their tax obligations are met. In April, 2006<sup>xii</sup>, there were 48 tax liens placed for 2005 past due taxes. At that time, there still remained 18 tax liens for 2004 past due taxes and 6 tax liens for 2003 past due taxes.

Failure to pay the property tax immediately incurs a 12% rate of interest. At a pre-determined time, a *lien* is placed on the property in the amount of unpaid taxes plus interest due through the date of the lien. At that time, the rate of interest increases to 18%. The presence and the amount of the lien are then filed with the Registry of Deeds. If, after two years payment has not been made in full, town officials may exercise their authority to lay claim to the property.

**Welfare Liens** A *Welfare Lien* is closely related to the Tax Lien. It is employed in certain instances when there is an inability to pay based on circumstances that are deemed temporary or unexpected. A pending sale of the property might be one example. The death of a spouse with property tied up in Probate Court might be another. In this instance, the town places a lien with 0% interest for 12 months at which time the annual rate becomes 6% until the debt is paid off. Again the Registry of Deeds is informed of the presence of the lien but no amount is given. At the time of this study, there were 8 taxpayers in Hollis whose property was subject to a *Welfare Lien*; currently there are 6.

**Tax Abatements**<sup>xiii</sup> Tax abatements are available for a variety of reasons. Applications can be found on the Town's website ([www.hollis.nh.us](http://www.hollis.nh.us)) or contact the assessing office for further information.

**Elderly Exemptions**<sup>xiv</sup> Each New Hampshire community must establish minimal eligibility limits consistent with state statutes for individuals 65 years or older. Towns may, if they choose, increase the eligibility levels. Hollis income eligibility requirements are:

- Annual Income for single individuals must be less than \$ 30,000
- Annual Income for married couples must be less than \$ 40,000
- Assets must not be in excess of \$100,000, not including the house.

When these criteria have been met, the assessed value is reduced by the following amounts depending on the age of the property owner:

- 65 – 74 Years of age: \$ 125,000
- 75 – 79 Years of age: \$ 150,000
- 80 + Years of age: \$ 175,000

There is enormous variation in how New Hampshire cities and towns determine the criteria and benefits of the elderly exemption.

Town	Single Inc.	Married Inc.	Assets	65-74	75-79	80+	Number
Amherst	\$36,750	\$52,500	\$150,000	\$62,000	\$ 93,000	\$124,000	93
Brookline	30,000	40,000	75,000	70,000	105,000	140,000	7
Greenville	13,400	20,400	35,000	10,000	15,000	20,000	11
<b>Hollis</b>	<b>30,000</b>	<b>40,000</b>	<b>100,000</b>	<b>125,000</b>	<b>150,000</b>	<b>175,000</b>	<b>48</b>
Milford	23,700	37,000	70,000	40,000	60,000	80,000	36
Nashua	36,000	36,000	100,000	100,000	125,000	155,000	975
Windham	40,000	50,000	150,000	80,000	100,000	100%	72

Figure 8 Sampling of Elderly Exemption in 7 New Hampshire Towns in 2004

To put this into another perspective, if our hypothetical Hollis resident who qualified for an Elderly Exemption lived in one of the towns shown in Figure 8, for a home with a \$300,000 assessed value would pay: (Fig. 9)

Since 2004, dozens of New Hampshire cities and towns have considered warrant articles to change the eligibility and the level of exemptions. In 2006, the New Hampshire legislature unsuccessfully addressed the problem via HB1632 that would have required all towns to raise the minimum income level and asset level. The bill also would have required an increase in the asset base but was voted “inexpedient to legislate.”

Town	Tax Rate	Tax with No Exemption	Town Exemption	Tax With Exemption	Savings
Amherst	22.84	6,852	93,000	4,728	2,124
Brookline	22.30	6,690	105,000	4,349	2,342
Greenville	14.78	4,434	15,000	4,212	222
<b>Hollis</b>	<b>18.57</b>	<b>5,571</b>	<b>150,000</b>	<b>2,786</b>	<b>2,786</b>
Milford	32.39	9,717	60,000	7,774	1,943
Nashua	19.85	5,955	125,000	3,474	2,481
Windham	18.50	5,550	100,000	3,700	1,850

Figure 9 Comparison of Elderly Tax Exemption for a \$300,000 assessment with 6 New Hampshire towns

Note: Assessments were not actual values in 2004

### **Low and Moderate Income Homeowners Property Tax Relief Program**

In 2001, the legislature enacted RSA 198:56 and RSA 198:57 to provide certain homeowners in New Hampshire relief from the state property tax. The statutes closely mirror the concepts discussed above for Elderly Exemptions.

**State Property Tax Relief and Other Special Programs:** The Senior Citizens Law Project of New Hampshire Legal Assistance has prepared an excellent summary of other existing programs. This is available at [www.nhla.org](http://www.nhla.org). Interested parties should go to this website and click on the tab labeled "Pamphlets."

\* \* \* \* \*

**Reverse Mortgages:** In recent years reverse mortgages have become increasingly popular. In theory, a Reverse Mortgage is simple. A lending agent gives you a certain sum based on the value of your home and you pledge your home as collateral. Home ownership remains unchanged and responsibility for property taxes, insurance and property repairs remains with the owner. Funds from a reverse mortgage may be used to pay the various fees that are charged on the loan. The amount of money depends on the specific reverse mortgage plan or program selected.

When the loan is due (if house is sold or upon death of the owner), the property owner or their heirs must repay all of the cash advances plus interest. Both the age of the owner and the value of the property influence the size of the reverse mortgage.

Reverse mortgages generally must be "first" mortgages, that is, they must be the primary debt against your home. If there is a mortgage holder, this obligation must be paid off prior to applying for a reverse mortgage or the funds from the reverse mortgage may be used to retire existing debt.

Many firms currently offer reverse mortgages making this a complicated and confusing transaction<sup>xv</sup> unless great care and attention is paid to the details. In some instances, professional advice may be a wise course to pursue.

## What Other States are Doing

### Freezing Rates and Assessments<sup>xvi</sup>

Beginning in 1978, following the passage of the now famous *Proposition 13*, Californians paid property taxes based on the assessed value of their home when the property was acquired with a 2% annual inflation adjustment. By 1999, 7 states had adopted various policies to limit assessments. Other states have approached the issue of increasing property tax burdens by limiting the annual appropriations of communities. A well-known example of this occurred in Massachusetts in 1980 with the enactment of *Proposition 2 ½* that requires municipalities to appropriate no more than 2 ½ % of the total assessed value of all property. Variations abound throughout the fifty states. In South Dakota, for example, individuals 65 years or older may apply to the “Freeze on Assessments Program” if an individual has a household income of less than \$20,991.88 or a multiple member household income of \$26,239.85 and the “full and true market value” of their home is \$150,000 or less. If these conditions exist, should the assessed value of one’s home increase, the tax will be based on the lower value that existed at the time of the application. Annual application is required. Voters in Tennessee appear ready to approve an initiative that would give cities the authority to institute an assessment freeze for qualified seniors.

### Property Tax Relief Programs

Property tax relief programs include homestead credits, so-called **circuit breakers**,<sup>xvii xviii xix</sup> homestead exemptions, and property tax deferrals. While most property tax relief programs<sup>xx</sup> are administered through the property tax system, 17 states and the District of Columbia allow homeowners and renters to claim State income tax credits. States with a variety of revenue sources are able to offer relief to cities and towns thus shifting some of the local tax burden on to the state. Nineteen states have adopted other approaches.

It is not possible at this time to understand the benefits or hazards of any of these proposals in New Hampshire.

## Conclusions and the Power of Numbers

Taxes and tax rates are always expressed as numbers as has been done in this report. But, the peculiar objective power of “numbers” may, in some instances, lead us toward conclusions that do not fit with the world we live in unless we take into account our culture, history, political persuasions, emotions and where we are in life as individuals, as a state, and as a nation. These considerations, therefore, prompt us to steer clear of a “values” discussion. For example, the increase in the tax base that accompanies population growth in Hollis is, by itself, insufficient to meet the expenses of local government that are approved by the voters each March. (pg 4) Whether this is good or bad, just or unjust, prudent or imprudent we cannot say. What we can say, however, is that this trend appears to have certain consequences for some of our residents and ought to compel us to enter into serious discussions as to whether or not we wish to do anything about it.

### Indisputable Conclusions:

- **Hollis has grown rapidly since 1970 (population 2,616) and is now 3 times larger than it was 36 years ago (2004 estimated population, 7,530). (Figure 4)**
- **The assessed value of Hollis property has doubled since 1996 and now exceeds one billion dollars. (Figure 5)**
- **The local property tax supports nearly all of the cost of public education. (Figure 3)**
- **Local property taxes that support town government rose sharply in 2005 due, in part, to the cost of land acquisitions. (Figure 3)**
- **Taxpayers with lower incomes pay a greater percentage of their income in local property taxes than do higher income taxpayers. (Figure 6)**
- **Local property taxes consume more than 15% of the adjusted gross income for 20% of Hollis taxpayers.**
- **Residents who have lived in Hollis for a long time and are older pay a greater proportion of their adjusted gross income in local property tax than do younger residents who have lived here for a short time. (Page 6)**
- **Nearly 80% of Hollis residents see a time when property taxes will play a major role in deciding to sell their home.**
- **Public support of schools accounts for approximately 80% of local taxes and town taxes account for 13% -17% of local taxes since 2001.**



Economists have repeatedly suggested that the three foundations of tax revenue are consumption, assets, and income. This triad exists in New Hampshire in a number of ways as, for example: (1) **Consumption** (user fees, meals and rooms taxes, cigarette taxes, sale of alcohol, etc.), (2) **Assets** (property, homes, cars, etc.), and (3) **Income** (earned income, interest and dividends, social security, pensions, the Business Enterprise Tax, etc. **The distinguishing feature of the New Hampshire tax structure is the singular reliance on the local property tax (an asset category) to support public education.** This fact makes significant relief across all age brackets extraordinarily difficult.

There are powerful reasons to suggest that, given certain income levels, payment of local property taxes in excess of 15% of AGI creates significant economic hardship. While we have been unable to locate any specific research on this topic, a review of what many other states have done with the circuit breaker approach (many of which are set well below 15%) lends support to our concerns. If, for example, a taxpayer has an annual income of \$60,000 and pays 15% (\$9,000) of this in property taxes, and if this taxpayer has a mortgage with monthly expenses of \$1,200 (annual cost of \$14,400), then \$36,600 remains to pay all expenses for 12 months. \$36,600 may, in many instances, be insufficient to provide for the family's needs.

We observe that New Hampshire, as in virtually every other state, has valued property tax relief for certain tax payers 65 years or older. An unintended consequence of this approach has been to ignore the property tax burden on younger tax payers some of whom may have incomes that are equal to or lower than senior citizens. Thus, New Hampshire's tax structure and how our society has chosen to meet the property tax burden play a prominent role in creating the issues described in this report.

There is little doubt that one of the many underlying reasons for the rise in Hollis property taxes is the rapid growth this community has witnessed in the last thirty years. Although growth enlarges the tax base for the community, annual increases in the total assessed valuation do not keep up with the subsequent costs, some of which are not related to growth. We feel, however, that growth remains the largest single component of the cost drivers. This spiral, in which local property taxes rise, makes it difficult for individuals with modest or middle income levels to live in Hollis. As time goes on, increased demands for more services generate increased costs with ever rising taxes resulting in profound changes to the character of our town as we shed our rural and agricultural past.

The reevaluation of Hollis property in 2002 was required because the selling price of homes and property exceeded, by a substantial amount, their assessed value. This was part and parcel of the housing “boom” that, in 2006, stalled. Should this condition persist, it is unlikely that future reevaluations will result in such a dramatic increase in the tax base that was seen in 2002. Further, future annual increases in the tax base may trend toward the lower portion of the range observed over the last decade.

It was never the intent of this committee to propose specific answers to the questions that are raised in this report. We came to a consensus, however, that the information contained herein points the way to future studies. Some of these are as follows:

- The town could embark on an aggressive economic development plan with a goal of increasing the non-residential tax base. This has been considered in the past but another review may well be appropriate. Such an attempt would almost certainly require a review of our Zoning ordinances.
- If our assertion that growth is a major contributor to annual increases in local property taxes is correct, then it seems reasonable to suggest that by controlling growth, annual increases in the property tax will be less acute. Theoretically, there are a number of ways that this can be approached, some of which are:
  - The town buys desirable properties.
  - Land is protected from development by purchasing conservation rights.

A detailed discussion of these approaches is beyond the scope of this report. A word of caution, however, is in order. It is conceivable that the rate of population growth is an important issue but in the end, it all comes down to economics. Town’s that experience growth see a rapid escalation of their taxes; towns that do not grow (Coos County for example) also experience a rapid annual increase in property taxes. These, and other concerns, are appropriate subjects for further study.

Our final conclusion is that there is little likelihood that individuals with modest or even middle incomes will be unable to purchase, or continue to own, property in Hollis or any other New Hampshire town with a similar tax base, should the current economic forces continue.

## Sources

<sup>i</sup> This table shows the proportion of the Hollis tax bill that for each taxing entity has consumed during a 5 year period. The town's "Tax Year" is a calendar year. Thus, Tax Year 2001 ended on December 31, 2001. This information was obtained by review of the tax notices for each year.

Tax Year	Town	Education	County
2001	13%	78%	8%
2002	14%	78%	8%
2003	13%	80%	7%
2004	14%	80%	7%
2005	17%	77%	6%

<sup>ii</sup> *Other Revenues* means revenues the Town collects other than from the property tax. The Town Report is the best source of information on this subject.

<sup>iii</sup> *Population growth in Hollis: Office of State Planning Estimates.*

<sup>iv</sup> Source: <http://www.city-data.com/city/Hollis-New-Hampshire.html>

### Single Family New House Construction Building Permits

- 1996: 45 buildings, average cost: \$184,600
- 1997: 43 buildings, average cost: \$216,400
- 1998: 61 buildings, average cost: \$226,400
- 1999: 51 buildings, average cost: \$231,700
- 2000: 61 buildings, average cost: \$258,600
- 2001: 64 buildings, average cost: \$208,800
- 2002: 53 buildings, average cost: \$208,900
- 2003: 25 buildings, average cost: \$275,500
- 2004: 56 buildings, average cost: \$343,600
- 2005: 23 buildings, average cost: \$305,100

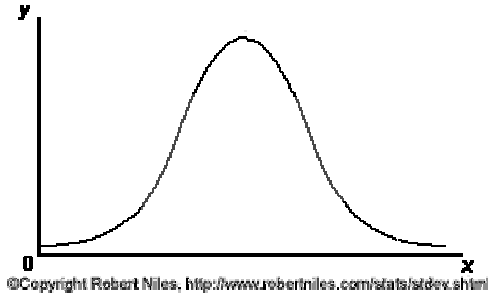
**Note: Average Cost does not include the cost of land acquisition**

<sup>v</sup> New Hampshire Office of State Planning estimates the 2005 population of Hollis to be 7626.

<sup>vi</sup> *Changes in Hollis Property Tax Base: DRA Municipal Finance Bureau Annual Tax Rate Calculation*

<sup>vii</sup> **2005 was the first year that the full impact of the land purchase bonds was reflected in the tax bills.** This explains the striking increase in the town budget for this particular year.

<sup>viii</sup> *Figure 6 New Hampshire State and Local Taxes in 2002 The Institute on Taxation and Economic Policy A Distributional Analysis of the Tax Systems in all 50 states 2<sup>nd</sup> edition. January, 2003.* This document may be found at: <http://www.itepnet.org/> Figure 6 applies to the **average** taxpayer in various income groups. The data for each category is distributed over a wide range and of often displayed as a "Bell Curve" as illustrated below. The averages in Figure 6 will be found at the top of the "bell" but there may be a wide range depending on the shape of the curve. (The curve shown below is for illustrative purposes and is not based on the actual data.) Only a few taxpayers have the average tax burden for the state! Some towns have a higher property tax burden than others. Also, the percentages of property taxes relative to the AGI will vary among taxpayers within an income group. Therefore, any individual taxpayer may feel that the chart does not accurately describe his/her situation. It is unfortunate that seniors are not included in this chart.



<sup>ix</sup> For another view of how New Hampshire's tax burden compares to other states, see: <http://www.retirementliving.com/RLtaxburdens.html> New Hampshire ranks 49 meaning only one other state (Alaska) has a lower tax burden in support of state government.

<sup>x</sup> This following survey was sent out in late May, 2006 to every property owner in Hollis

**PROPERTY TAX EQUITY COMMITTEE SURVEY**

1. How old are you? \_\_\_\_\_
2. How long have you paid property taxes in Hollis? \_\_\_\_\_
3. In 2005 what percentage of your household's adjusted gross income (line 37 on your 2005 1040) was spent on Hollis property tax? To calculate this percentage, divide the total Hollis property tax by your adjusted gross income. (For example, assume your property tax is \$5000 and your adjusted gross income is \$50,000. The calculation is: \$5000 tax divided by \$50,000 = .10 = 10%.)  
  
The percentage of your household's adjusted gross income spent on Hollis property taxes in 2005 was?  
  
\_\_\_\_\_ %
4. Do you foresee a time that the amount you are required to pay for property taxes may make it very difficult for you to pay for the necessities of life? \_\_\_\_\_
5. Do you foresee a time when the cost of owning property in Hollis may play a major role in deciding to sell your home? \_\_\_\_\_

*If you have any comments, please add them to the reverse of this card.  
Please return this Survey by June 1<sup>st</sup>.*

<sup>xi</sup> **Adjusted Gross Income (AGI)** (including wages, interest, capital gains, income from retirement accounts, alimony paid to you) adjusted downward by specific deductions (including contributions to deductible retirement accounts, alimony paid by you); but *not* including standard and itemized deductions. AGI is the number you write at the bottom of page 1 of your 1040 form. <http://www.moneychimp.com/glossary/agi.htm>

<sup>xii</sup> Source: **Number of tax liens** - Office of the Tax Collector, Town of Hollis.

<sup>xiii</sup> Source: **Tax Abatements:** Go to the town's website <http://www.hollis.nh.us/> and then in the **Government** section click on <http://www.nh.gov/btla/forms.html>

<sup>xiv</sup> **Elderly Exemptions**

*State Statutes* [http://www.state.nh.us/revenue/faqs/dra\\_600.htm](http://www.state.nh.us/revenue/faqs/dra_600.htm)

A: **RSA 72:39-a-(b)** The net income shall be determined by deducting from all moneys received, from any source including social security or pension payments, the amount of any of the following or the sum thereof:

- 
- (a) Life insurance paid on the death of an insured;
  - (b) Expenses and costs incurred in the course of conducting a business enterprise;
  - (c) Proceeds from the sale of assets.

***Hollis criteria and exemption levels***

<http://www.hollis.nh.us/hltownof.htm> In the “Assessing Office” section click on [Assessing Home Page](#) for detailed information about the eligibility limits, exemptions and other information required in order to apply.

***Figures 8 and 9***

[http://www.nh.gov/revenue/property\\_tax/2004/2004taxrates.rtf](http://www.nh.gov/revenue/property_tax/2004/2004taxrates.rtf)

*Shifting the Load: Costs, Effects, and the Potential Impact of Property-Tax Relief for New Hampshire Seniors.* Richard A Minard, Jr. New Hampshire Center for Public Policy Studies

Available at [www.nhpolicy.org](http://www.nhpolicy.org)

<sup>xv</sup> **Reverse Mortgages “Confusing transaction:”** There are many excellent websites that supply helpful information. One of the most complete is: <http://www.aarp.org/money/revmort/>

<sup>xvi</sup> **Freezing Rates and Assessments Proposition 13**

Lincoln Institute of Land Policy. An excellent summary of Proposition 13 and related issues:

<http://www.lincolninst.edu/pubs/pub-detail.asp?id=1040>

<sup>xvii</sup> **Maine Center for Economic Policy The Circuit Breaker Provides Relief for Maine’s Property Tax Burden.**

This report was written in December 2005 and is an excellent summary what how Maine approached the problem.

This not a universal program but is available to individuals with annual incomes up to \$30,300 and to families with annual incomes up to \$46,900. “Many more low-income households have a high burden of property taxes, compared with higher income households. As a result, the benefits of the circuit breaker program are concentrated among lower income households.” The entire report is available at: <http://www.mecep.org/>

<sup>xviii</sup> **Mass Circuit Breaker** A description of how the Massachusetts Circuit Breaker works can be found at:

<http://www.massretirees.com/retirement/circuitbreaker0105.html>

<sup>xix</sup> **Circuit Breakers** <http://www.itepnet.org/> Click on *Policy Briefs* and then click on *Property Tax Circuit Breakers* Written in 2004, this is an excellent summary of the theory behind this form of relief

<sup>xx</sup> ***Sources that provide an overview of the entire issue of property tax relief programs***

**Relief through Income Tax Programs (17)** Published by the Urban Institute

<http://www.taxpolicycenter.org/publications/template.cfm?PubID=1000852>

**Other approaches (19)** Baer: State Programs and Practices for Reducing Residential Property Tax 10/06/05 Property Tax Summit.

<http://ppa.boisestate.edu/centerppa/documents/20051006pm0315baer.pdf#search=%22States%20Property%20Tax%20Circuit%20Breakers%22>

**University of California Davis:** This is an unpublished report with a wealth of references to other states. It was written in 2003. [http://www.iga.ucdavis.edu/property\\_tax\\_report.html](http://www.iga.ucdavis.edu/property_tax_report.html)

**Andrew Young School of Public Policy:** This organization has produced two reports that are germane to the work of this report. One contains a detailed analysis of the impact of changes to the revenue structure in the state of Georgia (Brief 19) written in 2003 while the other, written in 1999 reviews what are some of the limitation of limiting property assessments

[http://frp.aysps.gsu.edu/frp/frpreports/policybriefs/policy\\_brief19.html](http://frp.aysps.gsu.edu/frp/frpreports/policybriefs/policy_brief19.html)

[http://frp.aysps.gsu.edu/frp/frpreports/Report\\_86/Rpt86FIN.PDF](http://frp.aysps.gsu.edu/frp/frpreports/Report_86/Rpt86FIN.PDF)

Town of Raynham, Massachusetts. Each Massachusetts town publishes on its website a description of how Proposition 2 ½ works. One example appears at:

[http://www.town.raynham.ma.us/Public\\_Documents/RaynhamMA\\_Assessor/prop2andone-half](http://www.town.raynham.ma.us/Public_Documents/RaynhamMA_Assessor/prop2andone-half)

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