

# ***Not as High as you Think...*** **New Hampshire's Property Tax Burden**

by Daphne A. Kenyon, Ph.D. and Michael E. Bell, Ph.D.

## **Executive Summary**

New Hampshire is often said to have one of the highest property tax burdens in the United States, if not the highest. But, is it as high as you think? The most common measures of the property tax burden are property taxes per capita and property taxes per \$1,000 in personal income. Using these measures, in 2005 New Hampshire had the third-largest per capita property tax burden of any state, and the highest property tax burden as a share of personal income.

However, these measures are misleading. In both cases, the property tax base includes a number of factors that skew these calculations and make property taxes look higher than they are. These include the following:

- property taxes on commercial, industrial, and utility-owned properties
- property taxes on farms and vacant land
- taxes on personal property, such as automobiles, boats, bank accounts, stocks, and bonds
- property taxes on second homes owned by non-residents.

States such as New Hampshire, with a higher proportion of second homes than other states, are especially impacted by this last factor, and will show erroneously high property tax burdens, since non-residents are not counted in per capita or income measurements. *New Hampshire has the third highest percentage of second homes in the country, over three times the U.S. average.*

With commercial, industrial and utility property, an issue arises in determining how much of the tax cost is passed on to non-resident customers, employees or shareholders; *a state with a high-percentage of such property, the owners of which pass their expenses on to out-of-state customers, will appear to have a higher property tax burden than it really does.*

### ***Apples & Oranges***

The traditional measures of property tax burden (per capita and personal income) are misleading because they mix apples and oranges. Neither population nor personal income is directly related to the actual base of the property tax, assessed value of property.

## **A Better Way to Measure: Effective Tax Rates**

A more appropriate measure of property tax burdens is known as an “effective tax rate,” which compares property taxes to the market value of the property. One such assessment, conducted annually by the Minnesota Taxpayers Association, examines four property types—residential homesteads, apartments, commercial property, and industrial property—in the largest urban area of each state. These measures reveal that for New Hampshire residents living in homes or apartments, New Hampshire ranks from thirteenth (13<sup>th</sup>) to twenty-ninth (29<sup>th</sup>) among the states.

## Alternative Measures of New Hampshire's Property Tax Burden and New Hampshire's Rank Among States

Measure	Description	NH's State Rank
Effective Tax Rate on Urban Homestead Property	Property tax collections compared to market value of residential homestead property	13-15
Effective Tax Rate on Urban Apartments	Property tax collections compared to market value of apartments	29
Effective Tax Rate on Urban Commercial Property	Property tax collections compared to market value of commercial property	40
Effective Tax Rate on Urban Industrial Property	Property tax collections compared to market value of industrial property	45
<i>Source: Minnesota Taxpayers Association 2007 study of the largest urban area in each state. Rankings comparing rural areas in each state are very similar.</i>		

### Where Does the Money Go?

What do residents of New Hampshire receive in return for their property tax payments? According to data obtained from the New Hampshire Department of Education, 64 percent of New Hampshire property tax payments collected in 2006 were used to finance K-12 education in the state.

So, a taxpayer might ask, "Are we getting our money's worth?" The answer is a solid "Yes." New Hampshire's test scores in English and Mathematics rank among the top ten of all 50 states, according to the National Assessment of Educational Progress.

### Conclusion

Conventional measures of New Hampshire's property tax burden overstate its magnitude. When property taxes are compared to property values, New Hampshire ranks from thirteenth (13<sup>th</sup>) to forty-fifth (45<sup>th</sup>), rather than first or third. At the same time, the quality of the educational system funded by most of these taxes is well above average.

### About the Authors

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