

Setting the Warner Municipal Tax Rate

The process of setting the municipal tax rate takes about 10 months. It involves submitting several reports to the NH Department of Revenue Administration (DRA), several discussions and thoughtful decision making.

In February, the Warner Budget Committee submits the proposed budgets to the DRA. At Town Meeting in March, citizens discuss the Town's operating budget, suggest amendments, and vote. Citizens also vote on other appropriations, most of which result in money being placed into Capital Reserve Funds. Soon after Town Meeting, the final report of voted appropriations is submitted to the DRA.

How much money the Town plans to spend is just one component of the formula used to set the tax rate. The Town must also estimate how much revenue will come in during the year. The revenue estimate report is filed with the DRA by September 1st after 8 months of revenues have actually been received.

Incoming revenues help cover a portion of planned expenditures, but never the full amount. Additional funds needed are collected via taxation. This is known as the "tax effort". For example, if the Town votes to expend a total of \$4,000,000 for the operating and capital budgets but only expects to bring in \$1,000,000 in revenue, the Town must collect \$3,000,000 via taxation.

Town taxation in New Hampshire is not done by simply dividing the tax effort by the population. Instead, it is done by taxing households proportionately according to the value of their property. Therefore, another key part of the tax rate setting process is the Town Assessment. The Assessor's report is submitted to the DRA by September 1st. That report also identifies how many veterans receive a War Service Credit with the Town, a credit which reduces their tax burden by \$500 per year.

In November, when each of the reports have been reviewed by the DRA, the DRA recommends a tax rate. This number is then discussed by the Board of Selectmen. The Selectmen have two components of the overall tax rate formula which they can then adjust:

- ◆ "Fund Balance to Reduce Taxes" - Money applied to REDUCE the tax rate
- ◆ "Overlay" - Funds set aside for unanticipated use (such as abatements), INCREASING the tax rate

This year, the Selectboard agreed to apply \$145,000 towards the tax rate. They also set an overlay of \$50,000 (in addition to what had already been used) in anticipation of tax abatements related to electric utilities. Once this was done and approved by DRA, our new tax rate was set.

Interestingly, it's not until mid-November that the tax rate is adjusted to cover the appropriations voters set at Town Meeting in March. Property taxes paid at the new tax rate don't arrive until December, after the annual budget is nearly expended.

Collecting tax revenue in June (at the old rate) and December (at the new rate) for appropriations set in March can make cash flow management interesting at times.

Fortunately, a fund balance is retained according to DRA guidelines. 5% of the total General Fund Operating Expenses is the minimum recommended, 17% is the max. Warner's is currently at a low 7.72%.

For 2019, the set of figures shown to the right were used to calculate the new tax rate.

Elements of Tax Rate	Amounts
Requested Appropriations	
Operating Budget	+ \$3,320,969
Capital Budget	+ \$627,500
Expenditures Sub-Total	= \$3,948,469
Estimated Revenues	- \$1,059,733
Applied Fund Balance (via Town Meeting)	- \$15,500
Fund Balance to Reduce Taxes	- \$145,000
War Service Credits	+ \$93,000
Actual Overlay Used	+ \$51,347
Net	= \$2,872,583
Town Valuation (with Utilities) / 1000	/ \$287,451
Tax Rate	= \$9.99

The new municipal tax rate is \$9.99. The total tax rate for Warner (not including the Warner Village Water District) is now **\$29.96**.

November 6, 2019