



STAFF REPORT

**AMENDED**

AGENDA ITEM #: 16-99  
COUNCIL MTG OF: July 19, 2016  
FROM: S. Daly, Acting Town Administrator  
OFFERED BY: S. Daly, Acting Town Administrator  
PREPARED BY: n/a  
SUBJECT: Adjust Veterans Tax Credits

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**EDITORIAL NOTE**

The recommended Council action below is the result of further research into the funding sources available to cover the cost of an increase in the Veterans' Tax Credit and discussion with the Council Chair.

There are two issues to consider, as follows:

1. By what amount to amend the amount of the veterans' tax credit.  
Because tax abatement applications have been fewer than expected this year, the CFO reports that the Overlay Account, which is a set aside to make up for abated taxes, will have a sufficient residual to cover the cost of a \$50 increase in the current veterans' tax credit. Using the overlay account in this way is an accounting entry and does not require action by the Council. The Chair has asked that \$50 be the increase amount put forward.
2. Whether to adopt the provisions of the recently enacted RSA 72:28-b, which renders all Derry resident veterans eligible<sup>1</sup> for the same amount of tax credit.  
This matter warrants thoughtful consideration of its policy and budget implications. In discussion with the Chair, we agree that taking it under advisement and referring it to a Council Committee for study and recommendation is an appropriate course of action in anticipation of the FY2018 budget process.

**RECOMMENDED ACTION BY COUNCIL**

Research into Council records tells us that previous changes in the veterans' tax credit amount have been preceded by a public hearing. Accordingly, it seems appropriate to continue that course of action. Therefore, I recommend that ...

- a) the Council schedule a public hearing for August 16 regarding a proposed increase of \$50 in the veterans' tax credit, and
- b) the Chair appoint a sub-committee of 3 Councilors to evaluate the impacts of adopting RSA 72:28-b and report back to the Council with its recommendation at a future Council meeting.

**RECOMMENDED MOTIONS**

I MOVE THAT THE TOWN COUNCIL schedule a public hearing for Tuesday, August 16, 2016 at 7:30 p.m. in the Main Meeting Room of the Derry Municipal Center to hear a presentation by the by staff and to take testimony from the public regarding a proposed increase in the Veterans' Tax Credit subject to RSA 72:28-a of \$50 dollars, which will set the credit at \$450 for each eligible veteran.

*Vote required: Simple majority of the Councilors present.*

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<sup>1</sup> Not ALL residents who are veterans will qualify. They must own residential property, be legal residents of Derry, have been honorably separated from the military, along with other prerequisites.

I MOVE THAT THE TOWN COUNCIL instruct the Chair appoint a committee of three (3) Councilors to evaluate the policy and financial implications of the Town adopting the provisions of RSA 72:28-b, which would extend the Veterans' Tax Credit to Derry resident veterans not otherwise eligible under RSA 72:28-a, and to report back to the Council with its recommendations at the October 4, 2016 regular Council meeting.

*Vote required: Simple majority of the Councilors present.*

Attachments: Revised DRAFT Resolution for \$50 increase in the current tax credit.

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## STAFF REPORT

AGENDA ITEM #: 16-99  
COUNCIL MTG OF: July 19, 2016  
FROM: S. Daly, Acting Town Administrator  
OFFERED BY: Susan Hickey, CFO  
PREPARED BY: Barbara Chapman, Assessor  
SUBJECT: Adjust Veterans Tax Credits

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### PURPOSE

This report is meant to inform the Council of the latitude it has in adjusting the veterans tax credits under NH law and the costs associated with the different options discussed.

### TOWN ADMINISTRATOR COMMENTS

This topic has been acted on by recent Councils with an intention to increase the credit by \$50 in each of three successive years – this being the third year. With the amendment to the Vets Tax Credit statute that now allows a municipality to make all resident veterans eligible for the same credits without conditions on their eligibility, the Council faces a difficult decision with potentially significant cost-shifting implications. Whatever the total “cost” (via tax revenue reduction) of the tax credits to veterans, the cost to the balance of taxpayers goes up by an equal amount. In the FY2017 budget, that cost is estimated at just under \$491,000, based on a \$400 per participating veteran, of which there are currently 952. If the Council decides to increase the amount of the credit to current participants by \$50, the tax levied on the balance of the taxpayers will increase by \$47,600 and the estimated tax rate<sup>1</sup> will increase by \$0.02 over the FY2016 minus \$0.01 rate that the FY2017 budget is based on. A \$25 increase in the credit will result in no change in the estimated tax rate from FY2016 to FY2017.

Opening eligibility to ALL veterans, as is allowed under HB 430, if done with the amount of the credit having been increased to \$425, will change the \$47k increase in the cost of the credits by over \$200k based on state estimates of the number of eligible veterans owning property in Derry. At the current cost-to-tax rate ratio of \$25k = \$0.01, that decision will increase the tax rate by an additional \$0.08, notching up the total rate change to \$0.09 over the FY 2016 rate.

A third option is for the Council to adopt the provisions of HB 430 and reduce the amount of the credit given to ALL veterans to \$275 each, for a total cost to the budget of \$497k and causing no change in the estimated FY 2017 tax rate.

*The calculations of the estimated impacts are shown in Tables 1, 2 and 3 under “Fiscal Impact”, below.*

For all intents and purposes, the Council has only two viable options that will have no appreciable impact on the tax rate. It can 1) increase the credit by \$25 for current participants and take no action regarding HB 430 eligible veterans, or 2) open the eligibility for the tax credit to all vets by adopting the provisions of HB 430 and reduce the credit to all veterans to \$275. Further incremental adjustments can be considered in the future.

### BACKGROUND

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<sup>1</sup> Keep in mind that the NH-DRA (the State) sets the Town’s final tax rate, which may differ from the rate estimated when formulating the FY 2017 budget.

During the FY2015 budget workshops, the Town Council discussed increasing the standard Veterans Credit by \$50 each year until reaching the statutory cap of \$500 (RSA 72:28-II). The current Veterans Credit of \$400 was approved on June 2, 2015. Derry's disabled veterans receive an additional \$2,000 credit, the maximum amount allowed by RSA 72:35-I(a). Copies of related RSAs are attached hereto.

### DISCUSSION

There are currently 952 veterans receiving the \$400 Veterans Credit, including 51 veterans receiving the Disabled Veterans Credit of \$2,000. The sum of the credits granted is shown as an expense in the operating budget and is typically funded via the tax levied on all other properties in town, in effect redistributing the tax burden away from the participating eligible veterans.

A new option was recently added to state law, commonly referred to as HB 430, which if adopted by local government legislative bodies (the Council in Derry) makes all veterans in a community eligible for the same amount of tax credit. The NH-DRA estimates that 485 veterans would become eligible for the credit in Derry, increasing the number of eligible veterans by 51%. The cost implications are discussed below.

### FISCAL IMPACT

An increase of \$50 in the Veterans Credit from \$400 to \$450 would increase the tax levy by \$47,600 (952 x \$50), or +\$0.02 on the tax rate. An adjustment upward by \$25 would add \$0.01 to the tax rate with an additional cost of \$23,800 as shown in Table 1, below.

Table 1 - Cost of Increases to Vets Credits for Current Participants

# Vets Receiving Tax Credits	\$/Vet	Total Tax Burden Shift	ADD \$50	Adjusted Tax Burden Shift	ADD \$25	Adjusted Tax Burden Shift
952 x \$ 400 =		\$ 380,800	\$ 47,600 =	\$ 428,400	\$ 23,800 =	\$ 404,600
51 x \$ 2,000 =		\$ 102,000	=	\$ 102,000	=	\$ 102,000
		\$ 482,800		\$ 530,400		\$ 506,600
FY2017 Tax Rate Impact = +		\$ 0.15	+ \$	0.17	+ \$	0.16
Tax Rate Change OVER FY17 Budgeted		\$ 0.00	+ \$	0.02	+ \$	0.01

Assuming a \$25 increase in the tax credit AND adoption of HB 430's eligibility criteria, the costs and tax burden shifts change as shown in Table 2, below.

Table 2 - Cost of Increased Vets Credits for Current Participants PLUS HB 430 Eligibles

# Vets Receiving Tax Credits	\$/Vet	Total Tax Burden Shift	# Vets Newly Eligible	\$/Vet	Total Tax Burden Shift	COMBINED Tax Burden Shift
952 x \$ 425 =		\$ 404,600	485 x \$ 425 =		\$ 206,125	\$ 610,725
51 x \$ 2,000 =		\$ 102,000				\$ 102,000
		\$ 506,600			\$ 206,125	\$ 712,725
FY2017 Tax Rate Impact = +		\$ 0.16	+ \$	0.08	= \$	0.24
Tax Rate Change OVER FY17 Budgeted		\$ 0.01	+ \$	0.09	+ \$	0.25

If ALL veterans a declared eligible by adopting the provisions of HB 430, the credit for all would need to be set at \$275 each in order to maintain a \$0.01 reduction in the FY 2017 tax rate as demonstrated in Table 3, below.

Table 3 - Cost of REDUCED Vets Credits for Current Participants PLUS HB 430 Eligibles

# Vets Receiving Tax Credits	\$/Vet	Total Tax Burden Shift	# Vets Newly Eligible	\$/Vet	Total Tax Burden Shift	COMBINED Tax Burden Shift
952	x \$ 275	= \$ 261,800	485	x \$ 275	= \$ 133,375	\$ 395,175
51	x \$ 2,000	= \$ 102,000				\$ 102,000
		\$ 363,800			\$ 133,375	\$ 497,175
FY2017 Tax Rate Impact = +		\$ 0.15			+ \$ 0.05	= \$ 0.20
Tax Rate Change OVER FY17 Budgeted		\$ (0.05)			\$ 0.00	\$ 0.01

**RECOMMENDED ACTION BY COUNCIL**

I recommend that a) the Council take this matter under advisement, b) the Chair appoint a sub-committee of 3 Councilors to evaluate the options and report back at the next Council meeting, and c) that a public hearing be scheduled on this subject for August 16.

This decision will impact every taxpayer and warrants an opportunity for them to ask questions and voice their opinions. In effect, it is a budget decision and, while it isn't subject to Section 9.6 of the Charter that requires a 2/3 majority to adopt, it should be treated as equally significant.

**RECOMMENDED MOTION**

I MOVE THAT THE TOWN COUNCIL take this matter under advisement, and that the Chair appoint a working group of three Councilors to evaluate options available to the Council and report back at the next Council meeting, and further, that the Council schedule a public hearing on this subject for Tuesday, August 16, 2016 at 7:30 p.m. in the Main Meeting Room of the Derry Municipal Center to hear a presentation by the Council working group and to take testimony from the public regarding on this subject

*Vote required: Simple majority of the Councilors present.*

Attachments: Background history of prior Council actions

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**RESOLUTION**  
**Number 2016-020**

To Amend the Amount of the Property Tax Credit Provided to Veterans

WHEREAS, Section 5.1 of the Town Charter designates the Town Council as the governing and legislative body of the Town; and

WHEREAS, RSA 72:27-a empowers the Town Council to determine if a credit will be applied against the property taxes of veterans eligible under RSA 72:28-a; and

WHEREAS, the Town, by action of the Town Council, has adopted the provisions of RSA 72:28-II providing for an "optional veterans' tax credit, the amount of which is currently \$400 against the tax on the residential property of veterans who are residents of Derry, or their eligible surviving spouses; and

WHEREAS, the Council deems it worthwhile and beneficial as a demonstration of support and gratitude to said veterans for their service to the United States of America and the State of New Hampshire;

NOW, THEREFORE, BE IT RESOLVED IN COUNCIL that the amount of the veterans' property tax credit is hereby amended to \$450 (Four Hundred Fifty and 00/100 Dollars); and

FURTHER, BE IT RESOLVED that the Town Administrator is hereby instructed to cause the newly adopted credit amount to be applied to the next issuance of property tax bills by the Town.

This Resolution shall take effect immediately upon its passage.

Adopted: August 16, 2016.

Attest:

X \_\_\_\_\_  
Brian Chirichiello, Council Chair  
Date: \_\_\_\_\_

X \_\_\_\_\_  
Daniel Healey, Town Clerk  
Date: \_\_\_\_\_

CHAPTER 217  
HB 430 - FINAL VERSION

04/28/2016 1508s

2016 SESSION

15-0183  
10/09

HOUSE BILL **430**

AN ACT relative to allowing towns and cities to adopt a property tax credit which extends the current veterans' property tax credit to all honorably discharged veterans.

SPONSORS: Rep. F. Rice, Rock 21; Rep. F. McCarthy, Carr 2; Rep. LeBrun, Hills 32; Rep. Martin, Merr 23; Rep. Kuch, Merr 23; Rep. Bailey, Graf 14; Rep. McConnell, Ches 12

COMMITTEE: Municipal and County Government

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AMENDED ANALYSIS

This bill enables towns and cities to adopt an additional veterans' property tax credit for honorably discharged veterans who are not eligible for the current veterans' property tax credit or the tax credit for service-connected total disability by extending the current tax credit amount to all such veterans.

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Explanation: Matter added to current law appears in *bold italics*.  
Matter removed from current law appears ~~[in brackets and struck through.]~~  
Matter which is either (a) all new or (b) repealed and reenacted appears in regular type.

04/28/2016 1508s 15-0183  
10/09

STATE OF NEW HAMPSHIRE

*In the Year of Our Lord Two Thousand Sixteen*

AN ACT relative to allowing towns and cities to adopt a property tax credit which extends the current veterans' property tax credit to all honorably discharged veterans.

*Be it Enacted by the Senate and House of Representatives in General Court convened:*

217:1 New Section; Property Taxation; All Veterans' Property Tax Credit. Amend RSA 72 by inserting after section 28-a the following new section:

72:28-b All Veterans' Tax Credit.

I. A town or city may adopt or rescind the all veterans' property tax credit granted under this section by the procedure in RSA 72:27-a.

II. The credit granted under this section shall be the same as the amount of the standard or optional veterans' tax credit in effect in the town or city under RSA 72:28.

III. The all veterans' tax credit shall be subtracted each year from the property tax on the veteran's residential property.

IV. A person shall qualify for the all veterans' tax credit if the person is a resident of this state who served not less than 90 days on active service in the armed forces of the United States and was honorably discharged or an officer honorably separated from service; or the spouse or surviving spouse of such resident, provided that Title 10 training for active duty by a member of a national guard or reserve shall be included as service under this paragraph; provided however that the person is not eligible for and is not receiving a credit under RSA 72:28 or RSA 72:35.

217:2 All Veteran's Property Tax Credit; Adoption Procedure; Reference Added. Amend the introductory paragraph of RSA 72:27-a, I to read as follows:

I. Any town or city may adopt the provisions of RSA 72:28, **RSA 72:28-b**, RSA 72:29-a, RSA 72:35, RSA 72:37, RSA 72:37-b, RSA 72:38-b, RSA 72:39-a, RSA 72:62, RSA 72:66, RSA 72:70, or RSA 72:76 in the following manner:

217:3 Definition of Resident; Reference Added. Amend RSA 72:29, I to read as follows:

I. The word "resident" as used in RSA 72:28 **and RSA 72:28-b** shall mean a person who has resided in this state for at least one year preceding April 1, in the year in which the tax credit is claimed.

217:4 References Added; Proration of Tax Credit; Husband and Wife; Allied Forces. Amend RSA 72:30 - 72:32 to read as follows:

72:30 Proration of Tax Credit. If any entitled person or persons shall own a fractional interest in residential real estate, each such entitled person shall be granted a tax credit in proportion to his or her interest therein with other persons so entitled, but in no case shall the total tax credit exceed the tax credit allowed under RSA 72:28, I or II, **or RSA 72:28-b**, except as provided in RSA 72:31.

72:31 Husband and Wife. A husband and wife, each qualifying for a tax credit, shall each be granted a tax credit upon their residential real estate as provided under RSA 72:28, I or II, **or RSA 72:28-b**.

72:32 Veterans of Allied Forces. Any person otherwise entitled under the provisions of RSA 72:28, **28-b**, 30 and 31 who being a citizen of the United States, or being a resident of New Hampshire, at the time of his **or her** entry therein, served on active duty in the armed forces of any of the governments associated with the United States in the wars, conflicts, or armed conflicts set forth in RSA 72:28, shall be entitled to the tax credit authorized by RSA 72:28 **or RSA 72:28-b**.

217:5 Definitions; References Added. Amend RSA 72:29, VI to read as follows:

VI. For purposes of RSA 72:28, **28-b**, 29-a, 30, 31, 32, 33, 35, 36-a, 37, 37-a, 37-b, 38-a, 39-a, 62, 66, and 70, the ownership of real estate, as expressed by such words as "owner," "owned" or "own," shall include those who have placed their property in a grantor/revocable trust or who have equitable title or the beneficial interest for life in the subject property.

217:6 Property Taxation; Application Procedure; Reference Added. Amend the introductory paragraph of RSA 72:33, I to read as follows:

I. No person shall be entitled to the exemptions or tax credits provided by RSA 72:28, **28-b**, 29-a, 30, 31, 32, 35, 36-a, 37, 37-a, 37-b, 38-b, 39-b, 62, 66, and 70 unless the person has filed with the selectmen or assessors, by April 15 preceding the setting of the tax rate, a permanent application therefor, signed under penalty of perjury, on a form approved and provided by the commissioner of revenue administration, showing that the applicant is the true and lawful owner of the property on which the exemption or tax credit is claimed and that the applicant was duly qualified upon April 1 of the year in which the exemption or tax credit is first claimed, or, in the case of financial qualifications, that the applicant is duly qualified at the time of application. The form shall include the following and such other information deemed necessary by the commissioner:



217:7 Appeals; Reference Added. Amend RSA 72:34-a to read as follows:

72:34-a Appeal From Refusal to Grant Exemption, Deferral, or Tax Credit. Whenever the selectmen or assessors refuse to grant an applicant an exemption, deferral, or tax credit to which the applicant may be entitled under the provisions of RSA 72:23, 23-d, 23-e, 23-f, 23-g, 23-h, 23-i, 23-j, 23-k, 28, **28-b**, 29-a, 30, 31, 32, 35, 36-a, 37, 37-a, 37-b, 38-a, 38-b, 39-a, 39-b, 41, 42, 62, 66, or 70 the applicant may appeal in writing, on or before September 1 following the date of notice of tax under RSA 72:1-d, to the board of tax and land appeals or the superior court, which may order an exemption, deferral, or tax credit, or an abatement if a tax has been assessed.

217:8 Interpretation by Commissioner of Revenue Administration. Amend RSA 72:36, I to read as follows:

I. The commissioner's interpretation of RSA 72:28, **72:28-b**, 72:29, 72:29-a, 72:30, 72:31, 72:32, 72:33, 72:34, 72:34-a, 72:35, 72:36-a, 72:37, 72:37-a, 72:37-b, 72:38-a, 72:38-b, 72:39-a, 72:39-b, 72:41, 72:62, 72:66, and 72:70; and

217:9 Standard and Optional Veterans' Credit; Active Service. Amend RSA 72:28, IV(a) to read as follows:

(a) Every resident of this state who served not less than 90 days *on active service* in the armed forces of the United States in any qualifying war or armed conflict listed in this section and was honorably discharged or an officer honorably separated from service; or the spouse or surviving spouse of such resident, provided that Title 10 training for active duty by a member of a national guard or reserve shall be included as service under this subparagraph;

217:10 Effective Date. This act shall take effect 60 days after its passage.

Approved: June 9, 2016

Effective Date: August 8, 2016

# TITLE V TAXATION

## CHAPTER 72 PERSONS AND PROPERTY LIABLE TO TAXATION

### Property Taxes

#### Section 72:28

##### **72:28 Standard and Optional Veterans' Tax Credit. –**

I. The standard veterans' tax credit shall be \$50.

II. The optional veterans' tax credit, upon adoption by a city or town pursuant to RSA 72:27-a, shall be an amount from \$51 up to \$500. The optional veterans' tax credit shall replace the standard veterans' tax credit in its entirety and shall not be in addition thereto.

III. Either the standard veterans' tax credit or the optional veterans' tax credit shall be subtracted each year from the property tax on the veteran's residential property. However, the surviving spouse of a resident who suffered a service-connected death may have the amount subtracted from the property tax on any real property in the same municipality where the surviving spouse is a resident.

IV. The following persons shall qualify for the standard veterans' tax credit or the optional veterans' tax credit:

(a) Every resident of this state who served not less than 90 days in the armed forces of the United States in any qualifying war or armed conflict listed in this section and was honorably discharged or an officer honorably separated from service; or the spouse or surviving spouse of such resident, provided that Title 10 training for active duty by a member of a national guard or reserve shall be included as service under this subparagraph;

(b) Every resident of this state who was terminated from the armed forces because of service-connected disability; or the surviving spouse of such resident; and

(c) The surviving spouse of any resident who suffered a service-connected death.

V. Service in a qualifying war or armed conflict shall be as follows:

(a) "World War I" between April 6, 1917 and November 11, 1918, extended to April 1, 1920 for service in Russia; provided that military or naval service on or after November 12, 1918 and before July 2, 1921, where there was prior service between April 6, 1917 and November 11, 1918 shall be considered as World War I service;

(b) "World War II" between December 7, 1941 and December 31, 1946;

(c) "Korean Conflict" between June 25, 1950 and January 31, 1955;

(d) "Vietnam Conflict" between December 22, 1961 and May 7, 1975;

(e) "Vietnam Conflict" between July 1, 1958 and December 22, 1961, if the resident earned the Vietnam service medal or the armed forces expeditionary medal;

(f) "Persian Gulf War" between August 2, 1990 and the date thereafter prescribed by Presidential proclamation or by law; and

(g) Any other war or armed conflict that has occurred since May 8, 1975, and in which the resident earned an armed forces expeditionary medal or theater of operations service medal.

**Source.** 1871, 13:1. GL 54:2. PS 56:4. 1907, 95:1. 1919, 54:1. 1921, 12:3; 103:1. 1923, 68:2. PL 60:26. 1941, 157:1. RL 73:29. 1943, 174:1. 1944, 4:1. 1947, 240:1, par. 29. 1949, 167:1. 1951, 132:1. RSA 72:28. 1955, 289:1. 1963, 49:1; 118:1; 324:1. 1967, 35:1, 2; 219:1, 2. 1971, 303:1. 1975, 282:1. 1976, 42:1, 2. 1977, 61:1. 1979, 288:2. 1981, 215:1. 1989, 64:1; 270:1. 1991, 70:3-6. 1992, 70:3. 1993, 73:3, 10; 262:1. 2003, 299:2. 2005, 126:1, eff. April 1, 2006. 2013, 254:2, eff. July 24, 2013.