

Guide to Understanding Your Tax Bill



Questions and Answers for the
Taxpayers of the City of Nashua

What Is the Property Tax?

In **New Hampshire**, the property tax is a tax based on the value of real property. Counties, cities, towns, villages, school districts, and special districts each raise money through the property tax. The money Nashua raises in property taxes funds the City's schools, pays for police and fire protection, maintains roads, and supports many other municipal services enjoyed by residents. It also pays for a portion of the costs necessary to support Hillsborough County services, as well as the state education tax that Nashua is required to pay.

What Determines the Amount of a Property Tax Bill?

The amount of a particular property's tax bill is determined by two things: the property's taxable assessment and the tax rate of the taxing jurisdiction (in this case the City of Nashua) in which the property is located. The tax rate is determined by the amount of the taxes to be raised to support local services and the total taxable assessed value. The assessment is determined by the assessor and should be based on the fair market value of the property less any applicable property tax exemptions.

What Kind of Property Is Assessed?

Every parcel of real property, no matter how big or how small, is assessed. Property is defined as land and any permanent structures attached to it. Examples of real property are houses, gas stations, office buildings, vacant land, shopping centers, farms, apartments, factories, restaurants, and mobile homes along with any accessory buildings such as garages, sheds and barns.

Though all real property is assessed, not all of it is taxable. Some, such as religious or government owned property are completely exempt from paying property taxes. Others are partially exempt, such as elderly or disabled individuals who qualify for an exemption for part of the property tax on their homes.

Properties of organizations that are charitable might also be exempt from taxation. In order to receive a charitable exemption, a charity needs to be organized and operated for charitable purposes and **not** just considered non-profit for income tax purposes. Some properties also will make a PILOT payment to the city (Payment In Lieu Of Taxes). While these organizations may be organized for charitable purposes, they remit a payment to the city to help defray the cost of services they may receive from the city.

What Is an Assessment?

New Hampshire law (RSA §75:1) states that:

The selectmen shall appraise open space land pursuant to RSA 79-A:5, open space land with conservation restrictions pursuant to RSA 79-B:3, land with discretionary easements pursuant to RSA 79-C:7, residences on commercial or

industrial zoned land pursuant to RSA 75:11, earth and excavations pursuant to RSA 72-B, land classified as land under qualifying farm structures pursuant to RSA 79-F, residential rental property subject to a housing covenant under the low-income housing tax credit program pursuant to RSA 75:1-a, and all other taxable property at its market value. Market value means the property's full and true value as the same would be appraised in payment of a just debt due from a solvent debtor. The selectmen shall receive and consider all evidence that may be submitted to them relative to the value of property, the value of which cannot be determined by personal examination.

A property's assessment is based on its fair market value. Fair market value is how much a property would sell for under normal conditions. Assessments are determined by the city assessor, a local official who independently estimates the value of real property in an assessing jurisdiction. They make these assessments in accordance with both state law and professional assessing standards

The assessor can estimate the fair market value of property based on the sale prices of similar properties. A property can also be valued based on the depreciated cost of materials and labor required to replace it. Commercial property may be valued on its potential to produce rental income for its owners. In other words, the assessor can use whatever approach provides the best estimate of a property's fair market value.

After a property's total assessment is determined, its taxable assessed value is computed. The taxable assessed value is the total assessment minus any applicable property tax exemptions. Exemptions are typically either whole or partial, that is either an exemption from paying any property tax or an exemption from paying part of a property tax bill.

How Do I Know If My Assessment Is Fair?

In communities assessing property at 100 percent of fair market value, your assessment should equal roughly the price for which you could sell your property. All property owners should check their assessment each year. In an informal setting the assessor can explain how the assessment was determined and the rationale behind it.

It is the assessor's job to ensure that properties are assessed fairly. The property value that your tax bill is based on should be as close to fair market value as possible. Over time, if left unadjusted, the value will become less accurate as housing prices increase due to favorable market conditions or as housing prices decline as the result of unfavorable market conditions. It then becomes necessary to make periodic adjustments to all assessed values in the city that are reflective of those conditions.

What is a Revaluation?

A revaluation is a periodic adjustment to the assessed value of all properties to ensure that they are at 100 percent of fair market value and all taxpayers are paying their fair share of the tax burden. In Nashua, this is done by examining sales data by location and

making corrections that will bring all properties in line with what the market information from sales data shows to be most current values. This is done every two years and sometimes results in shifts in value from one sector to another.

For example, if commercial property were increasing in value faster than residential property in a revaluation year, this would result in larger increases in value for the commercial property owners than the residential property owners. This same shift could occur between locations within the city as well.

What Determines the Tax Rate?

The tax rate is determined by the amount of the tax levy (the amount of tax to be raised). There are several steps involved in determining the tax levy. First, the city and school develops and adopts a budget. Revenue from all sources other than the property tax (state aid, motor vehicle registration fees, permits and licenses, income from investments, etc.) is determined. These revenues are subtracted from the original budget and the remainder becomes the tax levy. It is the amount of the tax levy that is raised through the property tax. The state education tax is determined by the state and is calculated separately but added to the tax rate when your bill is calculated. The county tax is determined by Hillsborough County and also added to the tax rate when your bill is calculated.

How Is My Tax Bill Calculated?

Remember that the real property tax is an “ad valorem tax”, or said another way, it is a tax based on the value of property. Two owners of real property of equal value should pay the same amount in property taxes. Also, the owner of more valuable property should pay more in taxes than the owner of less valuable property.

The property tax differs from an income tax and a sales tax because it does not depend on how much money you earn or on how much you spend. It is based totally on how much the property you own is worth.

The tax rate for the city, school and county is determined by dividing the total amount of money that has to be raised from the property tax for all three entities (the tax levy) by the taxable assessed value of taxable real property in the city.

As an example, let's say that the city, school and county levy is \$140,000,000, and the city has a taxable assessed value (the sum of the assessments of all taxable properties) of \$8,000,000,000. Under these conditions, the tax rate would be \$17.50 for each \$1,000 of taxable assessed value:

$$\$140,000,000 / \$8,000,000,000 = .0175 \times \$1,000 = \$17.50 \text{ (for city, school and county)}$$

The state education tax rate is calculated a bit differently, using the state education tax divided by taxable assessed valuation **without** utilities. That tax is then added to the

other rate components. Let's assume that the state education rate is \$2.40, making the **combined** tax rate for city, school, county and state \$19.90 (\$17.50 + \$2.40).

The city tax bill for this house with an assessment of \$250,000 would be \$4,975. The \$4,975 results from dividing the assessment of \$250,000 by \$1,000 to get \$250 (because the tax rate is based on each \$1,000 of assessed value). Then, the \$250 is multiplied by the tax rate to get the tax bill of \$4,975:

$$\$250,000 / \$1,000 = \$250 \times \$19.90 = \$4,975 \text{ (tax bill)}$$

As you can see from the different parts of the calculation, the amount of your tax bill depends on **both** your assessment, which is based on the fair market value of your property, and the tax rate, which is based on the tax levy.

What Else May Occur Before the Tax Rate Is Final?

In New Hampshire the tax rate is calculated by the Department of Revenue Administration for all municipalities. The total tax rate is comprised of:

- Local government tax;
- Local education tax;
- State education tax; and
- County tax.

The state education tax is known prior to the budget being finalized in the spring each year, however, the county tax may not be known until shortly before the tax rate is set in the fall. Changes to the county tax assessment could impact the county tax levy.

In addition, the state adopts a biennial budget and changes to state funding to the city could occur late in the legislative session, impacting the budget and potentially the tax levy.

What Makes My Tax Bill Change?

Tax bills change for one or more of the following reasons: budgets change from year to year, revenue from sources other than the property tax could change, the taxable assessed value of the city changes, or the tax levy is apportioned differently for state education or county taxes.

The cost of city, school and county services will generally increase each year due to inflation. The amount of that increase can impact the tax rate. If the overall taxable assessed values increase at the same rate, there would be no increase in the tax rate. If the tax levy increase exceeds the total taxable assessed value increase, the tax rate will increase.

On the other hand, if the total taxable assessed valuation decreases, there will be an increase in the tax rate, but taxes will only increase by the amount that the tax levy increases.

As you can see, both the tax levy and the total assessed values can impact the tax rate as well as the taxes you ultimately pay. In general:

- If the tax levy and the total taxable assessed values increase or decrease by the same percentage from the prior year, there will be no change in the tax rate.
- A larger increase in the tax levy than in the total taxable assessed values will result in an increase in the tax rate.
- A larger increase in the total taxable assessed value than in the tax levy will result in a decrease in the tax rate.
- A decrease in the total taxable assessed value will result in a tax rate increase if the tax rate levy is the same or has increased, **or** has decreased by less than the total taxable assessed value.

In a revaluation, individual values could vary significantly, depending on the market analysis results, so you may not experience the same increase or decrease that the total assessed value sees from one year to the next.

For example, if the total assessed value increases 10% this year, but the assessor completes the market analysis and it shows that houses in your location increased by 15%, you will have a higher tax bill than the average taxpayer who fell in the 10% increase range.

Conversely, if your individual value drops below the average 10% increase, you will see a decrease in your tax bill. The same thing will happen in a declining market: overall total assessed values may drop 10% but individual values will vary. Those taxpayers with values that dropped less than the average will see higher a tax bill, those with values less than the average will see a lower tax bill, assuming the tax levy has not changed.

In a revaluation the same kind of variation could occur between residential and commercial property valuations with the valuations increasing or decreasing at a greater rate for one than the other. This results in a shift in the tax burden from residential to commercial if commercial property value growth was greater or from commercial to residential if residential property value growth was greater.

In Summary

The taxes you pay are based on the value of the property you own and periodically that value is adjusted to ensure that each taxpayer pays his or her fair share of the overall tax burden. In exchange for those taxes, you receive the benefits of many services that the city provides. This includes keeping your community safe and providing emergency services as needed; maintaining the streets, sidewalks and bridges; and providing help to those who need welfare assistance during tough times as well as many crucial health and

environmental services. It includes recreation programs and a public library; a public education system; a place to secure and give you access to vital records and public documents; and a variety of programs and services to help keep Nashua economically viable.

I hope you have found this guide to be easy to follow and helpful in understanding your tax bill. City staff is available to answer any further questions you may have about the tax bills in general or specific questions regarding your personal tax bill. Please do not hesitate to contact those that can help you at the numbers below.

City Assessor.....589-3040

City Treasurer589-3185

Mayor Donnalee Lozeau