

Hollis Property Tax Trend and December 2023 Tax Bills

The property tax increase seen in the recently distributed December 2023 tax bill has generated many inquiries from Hollis residents. The concerns relate mainly to the upward trend in property taxes, a sense that the increase was unexpected, and the significant increase in the December 2023 tax bills. It is hoped that the following information will provide some clarity on these topics.

Hollis Property Tax Trend

Much of the public feedback has expressed concern that the upward trend in property taxes is unsustainable. Lacking an objective measure of sustainability, the Budget Committee has examined the growth in the average property tax bill over the past 10 years.

The average single-family home's tax bill in 2013 was \$9,265. In 2023 the average tax bill had grown to \$12,266, an increase of \$3,001 or 32% over the period. Converting the percent increase over the decade to an average annualized rate yields a cumulative annual growth rate of 2.85%.

When considering financial data over time it is useful to consider the effect of inflation. Adjusting for inflation, the average single-family home's tax bill grew from \$9,265 in 2013 to \$9,416 in 2023, an increase of \$151 or 1.6% over the period. Converting the percent increase over the decade to an average annualized rate yields a cumulative annual growth rate of 0.16%.

Trends in other economic measures can also be useful in evaluating the property tax trend:

Measure	Cum. Avg. Annual Growth Rate (2013-2023)
Hollis Average Property Tax Bill	2.8%
Inflation (MA/NH CPI)	2.7%
Social Security Cost of Living Adjustment	2.7%
Employment Cost Index (2012-22)	2.7%
Hollis Median Household Income (2012-22)	4.3%

Expectation of Property Tax Increase

Throughout the budget cycle the Budget Committee forecasts the effect of potential spending decisions on property taxes. This is an imperfect process as many inputs are not finalized at the time of the Town and Annual School District meetings. Examples of factors that typically change between the meetings and the setting of the tax rate are expected revenues, use of the Unassigned Fund Balance to reduce taxation, and State education grants.

All of the voter-approved spending is aggregated, revenue estimates are applied, and the net tax effort is the result. The tax effort is the amount that must be raised by property taxes. The 2023 aggregate tax effort across the Town, Hollis School District, COOP School District was

forecasted to be \$38.2M. The post-meeting adjustments to revenues and State aid resulted in a final tax effort of \$37.7M, a reduction of \$490K despite an increase of \$300K in county taxes. The forecasted tax rate (adjusted for the Town-wide property revaluation) was \$16.88. The actual tax rate is \$16.66.

December 2023 Property Tax Bill

There are two factors driving the large increase in the December tax bill. The first is spending. Hollis voters approved substantial increases in spending across all our local taxing entities: Town, Hollis School District, and HB COOP School District. The Hollis tax effort increased 17% for the entire year.

The other driver is timing. There are two property tax bills each year, July and December. However, the annual tax rate isn't set until the fall so the first bill in July uses the prior year's tax rate. As noted above the average tax liability for 2023 increased 17%. Since the July 2023 bill used the 2022 tax rate it did not capture any of the increase in the tax liability. As a result, the December 2023 tax bill includes the entire 2023 tax increase and some residents saw increases of over 30%. The July 2024 tax bill will come down and reflect the 17% increase.

Conclusion

Hopefully this information has addressed some of the concerns related to property taxes in general and the December 2023 tax bill in particular. Members of the public are invited to attend Budget Committee meetings and share their thoughts during public input. The Town meeting calendar is available at <https://www.hollisnh.org/node/1143/events>.

Hollis Budget Committee
December 11, 2023