

Dear Members of the Hollis Community,

During this past week, the Tax and Assessor's Office has received several phone calls and emails from Hollis taxpayers concerned about their most recent property tax bill and how that will affect their property taxes moving forward.

First, let's start with the basics. According to NH State Statutes, April 1st of any given year is the beginning of the tax year. Also, according to the NH Constitution, all properties within a municipality must be updated to reflect market value at least every five (5) years. Therefore, as a result of Hollis's 2023 revaluation, the revised assessments reflect market value as of April 1, 2023. The last revaluation was done in 2018. Quite a lot has changed within the real estate market in Hollis since that time.

Property taxes are based on two things: **(1)** The market value/assessment of your property, and **(2)** How much money is needed to collect for not only the operating budget for the Town of Hollis, but also budgets for local and state schools and the county budget, all of which makeup Hollis's tax rate and directly impacts local property taxes. Due to the changes in the real estate market since the last revaluation in 2018, residential property values increased an average of 59%. The property tax rate, as determined by the NH Department of Revenue Administration (DRA) decreased from \$22.57/\$1,000 of assessed value to \$16.66/\$1,000, a decrease of \$5.91 cents (or 26.18%).

The Town of Hollis property tax bills are due biannually (twice a year), typically in July and December. The tax bill due in July is called the Preliminary property tax bill and the December bill is called the Final Tax bill. The bill you received this past July was calculated using your 2022 assessment and tax rate. The reason for this is that your revised assessment and the new tax rate have not yet been determined. Tax rates are typically not set by the DRA until the fall of every year, once the municipality has determined how much money is needed for the annual budgets of the town, the school (local and state), and the county.

How your property taxes were calculated for 2023

Let's start with the Preliminary tax bill (June). Based on the aforementioned information, we know that this bill is calculated using your 2022 assessment and the 2022 tax rate. And let's say that your 2022 assessment was \$300,000. Therefore, your property taxes were calculated as follows:

$(\$300,000/\$1,000) \times \$22.57 = \$6,771$ which represents what your taxes were for the full 2022 tax year. However, since the town bills biannually this amount must be divided by two (2). Therefore, your Preliminary tax bill in July was \$3,385.00.

Now, let's say your property assessment increased (due to the 2023 revaluation) from \$300,000 to \$531,000, an increase of 59%. Based on your 2023 revised assessment and new 2023 tax rate of \$16.66 your final tax bill was calculated as follows:

$(\$531,000/\$1,000) \times \$16.66 = \$8,846$ minus what you paid in June on your preliminary bill of \$3,385.50 = \$5,461. Therefore, the total taxes you owe for 2023 would be \$8,846 (\$5,461 + \$3,385.50).

Moving forward to 2024, your preliminary bill (Due in July 2024) would be \$4,423 (\$8,846/2). Provided you have not made any changes to your property from improvements/demolition, your final 2024 tax bill would be calculated using your 2023 assessment and the new tax rate set by the DRA in October of 2024

based on the future budgets voted on at the 2024 March meetings for the town, the school (local and state), and the county.

As you can see from these examples, the preliminary tax bills are an estimate of what your property taxes are for the year, and the final tax bill is the actual amount owed for the full tax year. The final tax bill makes up the difference between the estimated preliminary bill and the final tax bill.

What is driving the increase in my December 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 Hollis-Brookline COOP School District in March of 2023. 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 second driver was mentioned previously. There are two property tax bills due 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. The July 2023 bill used the 2022 tax rate and it did not capture any of the increase in the tax liability from the March 2023 meetings. As a result, the December 2023 tax bill includes the entire 2023 tax increase and will likely be an increase compared to July 2023. The July 2024 tax bill will be less.

So, why did my property tax assessment and property taxes increase when I've made no improvements?

This has also been a common question the staff in the Assessor's Office and Tax Collector's Office have received since the final property tax bills in Hollis were recently issued.

The average 2023 residential property assessment in Hollis has increased by 59%. There are properties in Hollis where their assessments have increased more than the average.

There are several factors contributing to increased property values, most of which are location, supply and demand, age, condition, economy, interest rates, and recent market trends.

Location and certain neighborhoods are the cornerstone of a home's value. The location of a home and its proximity to desired resources such as agriculture and open spaces. Another deciding factor is living in the southern part of the state. Buying a home in a popular area of town can also help maintain or increase the home's value and hedge against economic downturns that cause the average home value to decrease. Since 2020 Hollis has experienced several properties being sold to out-of-state buyers fleeing larger urban areas causing low inventory, bidding wars, and hence, increased property values.

Education/Schools can play a huge role in a family's decision to plant roots in a community. The National Bureau of Economic Research found that for every \$1 spent in schools, area home values increase by about \$20. Homes located within desirable school districts such as the Hollis and Hollis/Brookline Cooperative School Districts maintain their resale value and tend to sell quickly once listed. Hollis has an excellent public school system.

Supply and demand are another important factor in housing market conditions. Simply put, as the housing supply decreases or as demand rises, creating an inventory shortage, home values tend to increase. Due to the high demand for residential properties in Hollis since the last revaluation in 2018, property values have also increased.

The age and condition of a home strongly determine the value of a property. A newer home or one that has been renovated will have more modern amenities like plumbing, electrical, roof, and appliances that require less maintenance and upkeep. Because of this, buyers are likely to pay more for the convenience of a turnkey home. Even if an older home has not had recent renovations but has been well maintained, it too can command higher prices in the real estate market.

The economy and real estate trends can also impact the value of your home. During an economic downturn, jobs become unstable or nonexistent with fewer buyers looking for a home. As a result, property values may decrease due to the lack of demand. Conversely, when the economy is good as has been the case more recently, more people are willing to make larger, longer financial commitments and have more discretionary income with which to do so.

Interest rates are another common factor that impacts property values. As interest rates increase, buyers have a decreased overall budget. When loans get more expensive, that tends to drive the overall price of property values down. When interest rates are low, as we have experienced during the past few years, buyers have more purchasing power due to lower mortgages, which can cause property values to increase as we have seen in Hollis.

There has also been a **shortage of building materials and skilled labor**. The recent shortage of real estate inventory has invigorated the market value of homes nationwide. As the low supply of homes for sale meets strong buyer demand, buyers may end up competing in bidding wars to secure a home from the limited inventory, escalating property values. Due to the low inventory in Hollis, bidding wars have been a common theme among buyers during the past few years here. When analyzing real estate sales, one sale doesn't necessarily establish the real estate market. But when we have several properties selling for more than the asking price, those sales set the market and are a determining factor for property values.

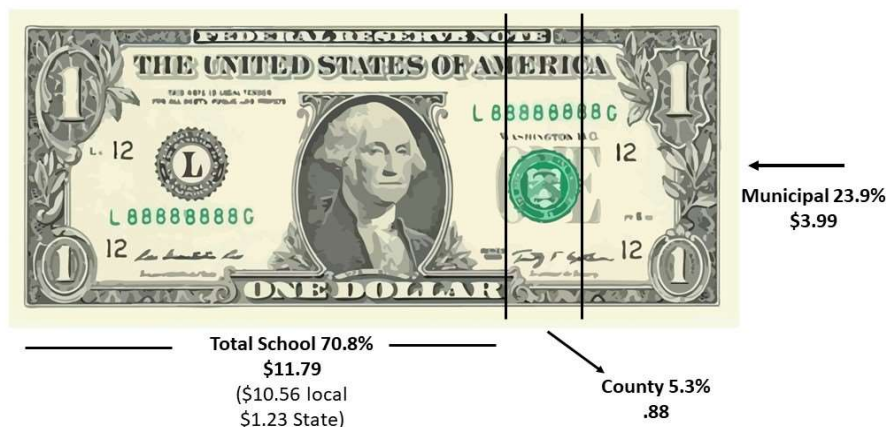
Let's Break It Down

Below are the 2022 and 2023 tax effort, town Valuation, and final tax rate for governmental entities that make up the Hollis tax bill.

2022 Tax rate-\$22.57			
	Tax Effort	Valuation	Tax Rate
Municipal	\$7,534,214	\$1,450,060,561	\$5.19
County	\$1,709,267	\$1,450,060,561	\$1.18
Local Education (Including Coop)	\$21,515,123	\$1,450,060,561	\$14.84
State Education	\$1,948,568	\$1,434,844,261	\$1.36
			\$22.57

2023 Tax rate-\$16.66			
	Tax Effort	Valuation	Tax Rate
Municipal	\$9,157,765	\$2,294,628,789	\$3.99
County	\$2,008,345	\$2,294,628,789	\$0.88
Local Education (Including Coop)	\$24,235,428	\$2,294,628,789	\$10.56
State Education	\$2,802,370	\$2,274,622,789	\$1.23
			\$16.66

Pulling It All Together



The new combined full rate (Town, County, State School, Local School) for 2023 is \$16.66, a decrease of \$5.91 cents (or 26.18%) compared to the 2022 rate of \$22.57. The decrease is due to the full revaluation conducted in Hollis this past year. In terms of allocation of the different portions of the tax rate, the Town portion of the rate represents 23.9% of the total Hollis property tax bill. The County portion represents 5.3% of the bill. The school portion represents 70.8% of the bill (63.4% Local School and 7.4% State School).

Each of the levels of government, Hollis Select Board, Hollis School Board, Hollis-Brookline COOP Board, and Hillsborough County Commissioners, work diligently to keep spending to a minimum while still endeavoring to meet the ever-changing demands of the community.

As a resident of the town of Hollis, we encourage you to attend all school and town budget public hearings and town meetings and speak on issues that you deem important. Below is a link to the Budget and town meeting Information found on the town website. We hope to see you there.

<https://www.hollisnh.org/budget-town-meeting>

The Hollis Select Board

