

WARRANT ARTICLES-BUDGET, SPECIAL, ETC...**ARTICLE 14 Economic Development Tax Exemptions**

Shall the Town of Allenstown will vote to adopt the provisions of RSA 72:81 and enable the town to grant tax exemptions for new construction performed on commercial or industrial uses. The intent of the exemption authority is to provide incentives to businesses to build, rebuild, modernize, or enlarge within the municipality. The exemption shall apply only for municipal and local school property taxes assessed by the municipality. The exemption will not apply to the entirety of the property value, but only to any increase in assessment which results from the new construction. The period of time for which the property is eligible for exemption is ten years.

The percentage of authorized exemption is as follows:

Year 1 and Year 2, 50% of the increased assessment value as described above;
Year 3 and Year 4, 40% of the increased assessment value as described above;
Year 5 and Year 6, 30% of the increased assessment value as described above;
Year 7 and Year 8, 20% of the increased assessment value as described above;
Year 9 and Year 10, 10% of the increased assessment value as described above.

For purposes of this exemption, the term “new construction” shall mean new structures, or additions, renovations, or improvements to existing structures.

For purposes of this exemption, the term “commercial” shall include retail, wholesale, service and similar uses and the term "industrial" shall mean manufacturing and heavy manufacturing, consumable manufactured goods, lumberyard, timber activities, recycling facility (household wastes), veterinary and large veterinary hospital, and warehouse, all as defined in the Allenstown Zoning Ordinance, as it may be amended from time to time.

If adopted, this Warrant Article will become effective April 1, 2018 and will remain in effect for five (5) years.

Recommended by the Board of Selectmen

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EXPLANATION: The purpose of this article is to give businesses a strong, compelling reason to either begin a business in Allenstown or expand an existing Allenstown business. More businesses mean more tax revenue from those businesses and potentially lower taxes for residents.

The Allenstown Economic Development Committee ("EDC") developed this warrant article in response to a new state law (RSA 72:81). RSA 72:81 states in part, "The intent of this exemption is to provide incentives to businesses to build, rebuild, modernize, or enlarge within the municipality. The exemption shall apply only for municipal and local school property taxes assessed by the municipality ..."

In essence, the warrant article offers commercial and industrial businesses a tax exemption starting at 50% and dropping to 0% over 10 years. The effective date if adopted is April 1, 2018, so businesses can apply for the exemption soon after the town election. The EDC is unaware of other communities which are adopting the provisions of this statute and it is possible that Allenstown would derive a competitive advantage for the development of tax revenue from commercial and industrial activities.

Benefits

This tax exemption provides the following benefits:

- 1. New or improved commercial/industrial properties means that the assessed value for the Town as a whole will increase.*
- 2. The new or improved commercial/industrial properties are likely to have a minimal burden on town services, therefore there will be little added cost associated with these uses.*
- 3. The initial 50% tax exemption offers a major incentive to businesses, but guarantees that the town will benefit from the other 50% on an immediate basis and a long term benefit due to increased valuation of the property. The proposal makes Allenstown a desirable business location.*
- 4. Allows owners of new businesses to use the exempted taxes to invest in the business during its initial years of operation.*
- 5. Gives business owners an assurance that the property taxes will increase at a predictable and manageable rate as the exemption diminishes. (Fluctuations in tax rates and property values are outside the scope of this discussion.)*
- 6. Offers residents new goods or services and new employment opportunities.*
- 7. The statute specifically restricts the tax exemption to commercial and industrial businesses, but residential taxpayers benefit from this on a long term basis since it will increase the assessed value of non-residential property; the increased assessment means that the tax burden on residential tax payers could be decreased.*

WARRANT ARTICLES-BUDGET, SPECIAL, ETC...**ARTICLE 14 Economic Development Tax Exemptions****EXAMPLE:**

As an example, consider a new business that has come to town and has an assessed value of \$1,000,000. For simplicity of calculation, it is assumed that the current tax rate (\$32.11) does not change over 10 years and the property value also remains constant.

With no tax exemption, that business would have to pay \$32,110 in taxes every year or \$321,100 over 10 years. The business might consider that a reason to avoid Allenstown.

With the proposed exemption methodology, the business would pay the town \$16,055 for the first two years, and \$224,770 in taxes over 10 years, but the business would save \$96,330 in taxes over 10 years. In addition, the town would receive \$3,211 more in taxes each time the exemption percentage dropped.

The tax exemption will add tax dollars to the revenue stream with little or no increase in town services required for these properties. This could create a slight drop in the tax rate because of a slight increase in tax revenue, all other factors held constant.

In this example, the new business would pay \$16,055 in taxes the first year. All other things being held constant, that means the rest of the town would pay \$16,055 less. The more taxes collected from new or upgraded businesses, the less the rest of the town has to pay.