

## Setting the Warner Municipal Tax Rate

The process of setting the municipal tax rate takes several months. It starts with Town Meeting in the spring, involves submitting several reports during the year to the NH Department of Revenue Administration (DRA), and is completed in the fall after many discussions and thoughtful decision making.

During the months leading up to Town Meeting, the Select Board and the Budget Committee work in public meetings to create proposed operating & capital budgets. At Town Meeting in March, budgets are presented, voters discuss and may suggest amendments, and then everyone votes. Shortly after Town Meeting, a report of voted appropriations is submitted to the DRA.

How much money the voters approved to spend is just one component of the formula used to set the tax rate. The Town also estimates how much revenue will come in during the year and reports that to the DRA. Revenues help cover a portion of planned expenditures, but never the full amount. The balance of funds needed are collected via taxation. This is known as "the tax effort".

For example, if the Town votes to expend a total of \$6,000,000 for the operating & capital budgets but only expects to bring in \$2,000,000 in revenue, the Town must collect \$4,000,000 via taxation to cover those expenditures.

Municipal taxes in New Hampshire are not calculated by simply dividing the tax effort by the population. Instead, it is done by taxing properties proportionately according to the property value. Therefore, another key part of the tax rate setting process is property value assessments.

Every 5 years (years ending in 0 & 5), the whole Town of Warner is reassessed by an outside assessing firm. Each year, the assessor's report is submitted to the DRA. The report also identifies how many veterans receive a War Service Credit with the Town, a credit which helps reduce their tax burden, as well as other tax credits & exemptions.

In October or early November, once all of the reports have been approved by the DRA, the DRA provides a preliminary tax rate. This number is then discussed by the Select Board. They have 2 elements of the tax rate formula which they can then adjust:

- ◆ "Fund Balance to Reduce Taxes" - Money applied to reduce the tax rate
- ◆ "Overlay Used" - Funds set aside for unanticipated use (such as abatements), increasing the tax rate

For 2025, the Selectboard agreed to apply \$200,000 towards the tax rate. They also finished with an overlay of \$205,172. This was approved by DRA and our new tax rate was set.

In this long process, it's not until the autumn that the year's tax rate is in place to cover the appropriations voters set at Town Meeting in March. Property taxes paid at the new tax rate don't arrive until December, when the annual budget is nearly expended. Good cash flow management is therefore critical.

The DRA recommends retaining a fund balance between 5% and 17% of the total general fund operating expenses of \$13,007,933 (Town, KRSD, County, and State Education taxes). Warner has retained 6.53%.

For 2025, the new **Municipal Tax Rate is \$5.53**. The total tax rate for Warner (not including the Warner Village Water District) is now **\$17.32**.

Elements of Municipal Tax Rate	Amounts
Appropriations (Operating & Capital Budgets)	+ \$5,327,333
Estimated Revenues	- \$1,754,031
Applied Fund Balance (voted at Town Meeting)	- \$80,000
Fund Balance to Reduce Taxes (by Select Board)	- \$200,000
War Service Credits	+ \$114,700
Overlay Used	+ \$205,172
<b>Net</b>	<b>= \$3,613,174</b>
Town Valuation (with Utilities) / 1000	/ \$652,868
<b>Municipal Tax Rate</b>	<b>= \$5.53</b>

Since the actual tax rate for the Town is not known until the fall, the first property tax bill of the year, usually due in early July, is simply half of the prior year's two tax bills. Some refer to the June / July bill as an estimated bill.

Once the tax rate for the year is set, the December tax bill is calculated using the tax rate and the property value, then subtracting the July bill amount. With a new tax rate (and during revaluation years, new assessments) the December bill is never predictable.

November 5, 2025