

## ARTICLE 33

### RECOMMENDED FEATURES OF A LOCAL INCOME TAX

The Local Option Local Income Tax Committee has developed a set of features recommended for an acceptable form of legislation allowing a local income tax that would reduce the residential property tax, as shown below. The table on the reverse side shows the effect on Concord homeowners if such legislation had been in place in 2009.

These details are not part of the motion under Article 33. The motion simply asks our legislators to seek passage of enabling legislation. An affirmative vote tonight protects the right of the town to accept or decline such future legislation.

**Reduction of Property Tax** The revenue from such an income tax would be used solely to reduce the residential property tax.

**Format** A surcharge on state-taxable personal income of residents would be collected by the State for return to the towns.

**Constitutionality** An income surcharge uniform for all towns may be constitutional.

**Local Option** The legislation would be effective statewide with local option for adoption.

**Applicability** Reduction of property tax would apply only to residential properties and town residents.

**Levy Limit** The levy limit on property taxes would be reduced by an amount equal to the income surcharge revenue.

**Income Tax Rate** The income tax rate (surcharge) would be set by the Legislature. (Our Committee used 2.00% as a hypothetical example.)

**Controls and Limits** Controls and limits would remain as under present law.

**Revenue Neutral** By conforming to present limits the legislation would be revenue neutral, i.e. no tax revenue increase.

**Privacy and Administration** Using state services would maintain privacy and security of income information.

**Shortfall and Surplus** Adjustment due to a shortfall or surplus in revenue would be made by correction of the residential property tax rate as now done for the third and fourth quarter property tax collection.

<b>Testing a Hypothetical Local Income Tax in 2009 Concord</b>						
<i>Replacing 50% of the Residential Property Tax</i>						
<b>Assessed Value</b>	<b>Current Property Tax</b>	<b>Taxable Personal Income</b>	<b>New Income Surcharge</b>	<b>New Property Tax</b>	<b>New Property Tax Plus Surcharge</b>	<b>Tax Change</b>
360,000	4,712	60,000	1,200	2,356	3,556	-1,156
		117,810	2,356	2,356	4,712	0
		180,000	3,600	2,356	5,956	1,244
600,000	7,854	100,000	2,000	3,927	5,927	-1,927
		196,350	3,927	3,927	7,854	0
		300,000	6,000	3,927	9,927	2,073
900,000	11,781	150,000	3,000	5,891	8,891	-2,890
		294,525	5,891	5,891	11,782	0
		450,000	9,000	5,891	14,891	3,110
1,300,000	17,017	250,000	5,000	8,509	13,509	-3,508
		425,425	8,509	8,509	17,017	0
		750,000	15,000	8,509	23,509	6,492
<i>Property Tax Rate \$13.09/\$1,000 of assessed valuation</i>						
<i>Income Tax Surcharge 2.00 %</i>						

Local Option Local Income Tax Committee  
 April 22, 2010  
 rev. Sept. 10, 2010