



# Proposed FY2026 Tax Cap

- At Town Meeting on March 15, 2025, warrant article 11 was amended and approved by legislative body by ballot vote of over 3/5 majority.
- Amended warrant 11 states:  
*Shall we adopt the provisions of RSA 32:5-b I-a, and implement a tax cap whereby the governing body (or budget committee) shall not submit a recommended budget that increases the amount to be raised by local taxes, based on the prior fiscal year's actual amount of local taxes raised, by more than four percent (4%)?*
- Per RSA 32:5-b I-a If the local taxes raised for the prior year were reduced by any fund balance brought forward from previous years, the amount of such reduction shall be added back and included in the amount to which the tax cap is applied
- Tax cap base equals  
***Cap Base = Municipal Net Required Local Tax Effort + Any Fund Balance Offset Used***
- This tax cap base is related to the next year appropriation as follows:  
***Total Appropriations <= Cap Base + Revenues - War Service Credits - Actual Overlay Used***  
(as shown in the Municipal Accounting Overview of the NH DRA Tax Rate Breakdown report)
  - *War Service Credit* = Total amount of Veterans' Tax Credits
  - *Actual Overlay Used* = Dollars paid back to residents who receive tax abatements



Brentwood Municipal  
Budget Committee

# FY2026 Proposed Tax Cap Tax Cap Base

## FY2025 NH DRA TAX RATE BREAKDOWN

Municipal Accounting Overview		
Description	Appropriation	Revenue
Total Appropriation	\$7,218,079	
Net Revenues (Not Including Fund Balance)		(\$2,169,260)
Fund Balance Voted Surplus		(\$335,611)
Fund Balance to Reduce Taxes		\$0
War Service Credits	\$118,250	
Special Adjustment	\$0	
Actual Overlay Used	\$126,259	
<b>Net Required Local Tax Effort</b>	<b>\$4,957,717</b>	

- Tax Cap Base = FY2025 Municipal Net Required Local Tax Effort + Any Fund Balance Offset Used  
 $\$4,957,717 + \$335,611 = \mathbf{\$5,293,328}$
- Tax Cap Base = Total Appropriations - Revenues + War Service Credits + Actual Overlay Used  
 $\$7,218,079 - \$2,169,260 + \$118,250 + \$126,259 = \mathbf{\$5,293,328}$
- The FY2026 Municipal Net Required Local Tax Effort cannot increase more than 4% over FY2025.
- This equates to a FY2026 maximum Net Required Local Tax Effort of **\$5,505,061**



# Calculate Maximum FY2026 Appropriation

- FY2026 Total Appropriations**  $\leq$  Tax Cap Base + FY2026 Revenues – FY2026 War Service Credits – FY2026 Actual Overlay Used
- Budget Committee must estimate the following FY2026 values
  - Total Revenues (not including property taxes)
  - War Service Credits
  - Actual Overlay Used
- Recommend War Service Credits estimate be held flat from year to year. For FY2026, estimate \$118,250. AI recommends \$120,000.
- Recommend Actual Overlay Used estimate be held flat from year to year. For FY2026, estimate \$126,259. AI recommends \$100,000
- Revenue estimate will be shown on next page



# Calculate Maximum FY2026 Appropriation AI Revenue Estimate

## What revenue history tells us

- FY2015 → FY2025 growth: \$1.27M → \$2.17M  
≈ 5.5% average annual growth over 10 years
- Recent trend (FY2023–FY2025): ≈ 6–7% average annual growth
- Most recent year (FY2024 → FY2025): ≈ 3.3% growth

## This shows:

- Long-term growth is solid and steady
- The most recent year slowed a bit

## Projection scenarios for FY2026

Assumption	Growth Rate	FY2026 Projection
Conservative (budget-safe)	4%	\$2.26M
Historical average	5.5%	\$2.29M
Recent trend	6.5%	\$2.31M

- Recommended FY2026 revenue projection of \$2.26 million. This 4% increase aligns with long-term trend, recent moderation, sound fiscal practice.



# Calculate Maximum FY2026 Appropriation

	FY2024	FY2025	FY2026
Total Town Tax Effort (4% increase max cap)	\$4,847,431	\$5,293,328	<b>\$5,505,061</b>
revenues (MS-434) - use 4% estimated growth	\$2,100,646	\$2,169,260	\$2,256,030
-war service credit (MS-1) - use previous year	-\$134,500	-\$118,250	-\$118,250
-Actual overlay used (MS-434R) - use previous year	-\$129,813	-\$126,259	-\$126,259
<b>Town Total Appropriations</b>	\$6,683,764	\$7,218,079	<b>\$7,516,583</b>
Increase appropriation from prior year		\$534,315	<b>\$298,504</b>
% increase appropriation from prior year		8.0%	<b>4.1%</b>

- The following assumptions are made in the above estimates:
  - **4% yearly revenue growth - \$2,256,030**
  - Keep war service credits flat year to year - \$118,250
  - Keep actual overlay flat year to year - \$126,259
- Increasing the Town Tax Effort by 4% yearly with the above assumptions results in a 4.1% yearly increase in total appropriations
- For FY2026, the tax cap estimated maximum appropriation \$7,516,583 which reflects an increase of \$298,504 over FY2025 total appropriation.
- Total appropriation includes operating budget and warrants



Brentwood Municipal  
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Backup



# Calculate Maximum FY2026 Appropriation

	FY2024	FY2025	FY2026
Total Town Tax Effort (4% increase max cap)	\$4,847,431	\$5,293,328	<b>\$5,505,061</b>
revenues (MS-434) - use 5.5% estimated growth	\$2,100,646	\$2,169,260	\$2,288,569
-war service credit (MS-1) - use previous year	-\$134,500	-\$118,250	-\$118,250
-Actual overlay used (MS-434R) - use previous year	-\$129,813	-\$126,259	-\$126,259
<b>Town Total Appropriations</b>	\$6,683,764	\$7,218,079	<b>\$7,549,121</b>
Increase appropriation from prior year		\$534,315	<b>\$331,042</b>
% increase appropriation from prior year		8.0%	<b>4.6%</b>

- The following assumptions are made in the above estimates:
  - **5.5% yearly revenue growth - \$2,288,569**
  - Keep war service credits flat year to year - \$118,250
  - Keep actual overlay flat year to year - \$126,259
- Increasing the Town Tax Effort by 4% yearly with the above assumptions results in a 4.6% yearly increase in total appropriations
- For FY2026, the tax cap estimated maximum appropriation \$7,549,121 which reflects an increase of \$331,042 over FY2025 total appropriation.
- Total appropriation includes operating budget and warrants



# Calculate Maximum FY2026 Appropriation

	FY2024	FY2025	FY2026
Tax Capped Total Town Tax Effort (4% max increase)	\$4,847,431	\$5,293,328	<b>\$5,505,061</b>
revenues (MS-434) - use 6.5% estimated growth	\$2,100,646	\$2,169,260	\$2,310,262
-war service credit (MS-1) - use previous year	-\$134,500	-\$118,250	-\$118,250
-Actual overlay used (MS-434R) - use previous year	-\$129,813	-\$126,259	-\$126,259
<b>Town Total Appropriations</b>	\$6,683,764	\$7,218,079	<b>\$7,570,814</b>
Increase appropriation from prior year		\$534,315	<b>\$352,735</b>
% increase appropriation from prior year		8.0%	<b>4.9%</b>

- The following assumptions are made in the above estimates:
  - **6.5% yearly revenue growth - \$2,310,262**
  - Keep war service credits flat year to year - \$118,250
  - Keep actual overlay flat year to year - \$126,259
- Increasing the Town Tax Effort by 4% yearly with the above assumptions results in a 4.9% yearly increase in total appropriations
- For FY2026, the tax cap estimated maximum appropriation \$7,570,814 which reflects an increase of \$352,735 over FY2025 total appropriation.
- Total appropriation includes operating budget and warrants



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# AI Estimate of War Service Credit

A good FY2026 estimate for **War Service Credits** should be **conservative and defensible**, because this line is **volatile and demand-driven**, not trend-guaranteed.

## What the history shows

Key observations from Brentwood's data:

- **Baseline (FY2015–FY2018):** gradual growth from ~\$58k → ~\$69k
- **Structural jump in FY2019:** increase to ~\$105k (likely eligibility or valuation change)
- **Stability FY2019–FY2022:** generally ~\$106k–\$108k
- **Spike FY2023–FY2024:** ~\$133k–\$135k
- **Drop in FY2025:** \$118,250 (≈12% decrease)

This indicates:

- Not a smooth growth curve
- Periodic step-changes and corrections
- FY2025 suggests the recent spike may not fully sustain

## Reasonable FY2026 estimate ranges

Approach	Assumption	FY2026 Estimate
Hold FY2025 flat	No growth assumed	<b>\$118,000</b>
Modest recovery	+2–3%	<b>\$120,000–\$122,000</b>
Midpoint smoothing	Average of FY2022–FY2025	≈ <b>\$123,000</b>
Aggressive (not advised)	Return toward FY2024	\$130,000+

## Recommended FY2026 estimate

➔ **\$120,000**

## Why this works well:

- Acknowledges FY2025 decline
- Avoids assuming a rebound that may not occur
- Minimizes risk of under-raising the tax rate
- Easily defensible to taxpayers and auditors
- Consistent with conservative NH municipal budgeting practice



# AI Estimate of War Service Credit

For **tax cap calculation**, the key is to use an estimate that is **defensible, conservative, and not distorted by one-year anomalies**, since overlay is **highly volatile** and driven by abatement activity, appeals timing, and court outcomes.

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## What Brentwood’s history shows

### Actual Overlay (FY2015–FY2025)

- **Low baseline years:** ~\$30k–\$45k (FY2015–FY2017, FY2022–FY2023)
- **Moderate years:** ~\$75k–\$100k (FY2018–FY2019)
- **High volatility years:**
  - FY2020: \$124,895
  - FY2021: \$194,207 (clear outlier)
  - FY2024: \$129,813
  - FY2025: \$126,259

### Key takeaways

- Overlay is **not trendable**
- FY2021 is a clear **abnormal spike**
- Recent years (FY2024–FY2025) are elevated but **not consistently sustained**
- Using a peak year would **artificially reduce tax cap room**

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## Reasonable FY2026 estimate ranges

Method	Result
Median of last 10 years	≈ \$87,000
Average excluding FY2021	≈ \$89,000
Average of last 5 years	≈ \$103,000
Hold near recent but conservative	<b>\$100,000</b>

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## Recommended FY2026 estimate (Tax Cap Purpose)

➡ **\$100,000**

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## Why \$100,000 is the right number for tax cap calculations

- Reflects **recent experience** without assuming sustained abnormal activity
- Excludes distortion from FY2021 outlier
- Avoids artificially reducing the tax cap
- Consistent with **NH DRA best practice** of conservative overlay treatment
- Easily defensible to auditors, taxpayers, and DRA reviewers
- Protects against tax rate volatility if actual overlay comes in lower