



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	
Net Required Local Tax Effort	\$4,957,717	

- 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 NHMA Guidance

- NHMA recommends that we adopt a very conservative estimate of revenues
- Percentage change between 2024 and 2025 (3.3%) may provide some indication of revenue growth for 2026
- Must also take into account that the two largest revenues for local government, motor vehicle registrations and State of New Hampshire revenues, may experience a contraction next year. For instance
 - According to S&P Global, November 2025 US auto sales are expected to be down 8% from November 2024.
 - The biggest component of State revenues for local governments is the Rooms and Meals Tax which only increased 3.4%
 - These numbers suggest that a 4% growth estimate might be too optimistic
- If actual revenues in FY2026 results in the adopted operating budget exceeding the tax cap there is no legal penalty that would be imposed on the town, provided that the proposed budget was based on the best effort/forecast that was available to the budget committee when the budget was posted with the warrant.



Calculate Maximum FY2026 Appropriation

	3.3%	FY2024	FY2025	FY2026
Total Town Tax Effort (4% increase max cap)		\$4,847,431	\$5,293,328	\$5,505,061
revenues (MS-434) - use 3.3% estimated growth		\$2,100,646	\$2,169,260	\$2,240,846
-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
Town Total Appropriations		\$6,683,764	\$7,218,079	\$7,501,398
Increase appropriation from prior year			\$534,315	\$283,319
% increase appropriation from prior year			8.0%	3.9%

- The following assumptions are made in the above estimates:
 - **3.3% yearly revenue growth - \$2,240,846**
 - 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 3.3% yearly with the above assumptions results in a 3.9% yearly increase in total appropriations
- For FY2026, the tax cap estimated maximum appropriation \$7,501,398 which reflects an increase of \$283,319 over FY2025 total appropriation.
- Total appropriation includes operating budget and warrants



Calculate Maximum FY2026 Appropriation

% Revenue Growth	FY2026 Revenue	FY2026 Total Appropriation	FY2026 Increase in Appropriation	FY2026 % Increase in Appropriation
3.0%	\$ 2,234,338	\$7,494,890	\$276,811	3.8%
3.5%	\$ 2,245,184	\$7,505,736	\$287,657	4.0%
4.0%	\$ 2,256,030	\$7,516,583	\$298,504	4.1%
4.5%	\$ 2,266,877	\$7,527,429	\$309,350	4.3%
5.0%	\$ 2,277,723	\$7,538,275	\$320,196	4.4%

- Estimated revenue growth will impact maximum FY2026 total appropriations (budget and warrants) allowed by tax cap
- Each 0.5% of revenue increase adds \$10,846 of additional appropriation under tax cap



Brentwood Municipal
Budget Committee

Backup



Calculate Maximum FY2026 Appropriation

	FY2024	FY2025	FY2026
Total Town Tax Effort (4% increase max cap)	\$4,847,431	\$5,293,328	\$5,505,061
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
Town Total Appropriations	\$6,683,764	\$7,218,079	\$7,516,583
Increase appropriation from prior year		\$534,315	\$298,504
% increase appropriation from prior year		8.0%	4.1%

- 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