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In N.H., It's Live Free Or Die But Don't Tax Me



Monday, 06/28/10 4:00am - Morning Edition

Jim Zarroli



Principal Paul Couture stands in front of Stevens High School in Claremont, N.H.

Ken Trask figures it takes him about an hour to drive from his home in Peabody, Mass., to the Rockingham Mall in Salem, N.H., but it's a trip he and his wife make regularly.

It's not that he can't find malls closer to home. But by driving over the state line, he avoids paying Massachusetts' sales tax.

"Massachusetts has 6.25 [percent] on everything ... including liquor and beer now," Trask says in his sharp Boston accent while sitting in his parked car and waiting for his wife to emerge from a store. "You make a beer run, you're saving \$2.25 per case."

Trask is one of countless out-of-state residents who flood to New Hampshire every day to take advantage of its lack of a sales tax.

A Low-Tax Haven

In a part of the country where taxes tend to be high, New Hampshire has distinguished itself by having no sales, income or (since 1993) estate taxes.

According to the [Tax Foundation](#), New Hampshire has one of the lowest state tax burdens in the country. Vermont next-door has one of the highest.

Low taxes are part of New Hampshire's DNA. Gubernatorial candidates have to take what's called "the pledge" and promise to veto any attempt by the Legislature to pass a broad-based sales or income tax. And both Republicans and Democrats regularly line up to do so.

It's always been this way. For most of its history, New Hampshire was a poor agricultural state, where life was as rocky as the soil. It encouraged a kind of flinty independence that remains today, even if the state has grown a lot wealthier, says state Rep. Neal Kurk, a Republican.

"One of the values this state has always had is self-reliance," Kurk says. "The role of government is not to take care of me or my family. That's my responsibility."

Less Need

New Hampshire can get away with lower taxes, in part, because its poverty rate is one of the lowest in the country. The southern part of the state is filled with affluent, well-educated commuters, many of whom work in the high-tech industry.

So even though New Hampshire spends about as much as other states (if not more) on Medicaid and prisons, the total need is much lower on a per capita basis, says Steve Norton of the New Hampshire Center for Public Policy Studies.

"We are a low-tax state because the need is less than you would otherwise think," Norton says.

But even compared to states with similar education levels, New Hampshire has pursued a deliberate strategy of keeping taxes as low as possible. More so than other states, it pays for government services by an assortment of individual fees, for everything from registering a car to using a campsite. And forcing lawmakers to cobble together a budget from a lot of small revenue sources imposes a kind of fiscal discipline on them, Kurk says.

"We have fought to prevent any kind of tax structure that would provide a lot of revenue for the state because

if the money is there, they will spend, when we are talking about our government -- any government," Kurk says. "That's the way people are. One of the ways you get elected is to bring the bacon home."

This strategy has largely succeeded: Per capita government spending is a little more than \$4,700 a year, compared with more than \$8,000 in neighboring Vermont.

Economic Benefits

Many people in New Hampshire believe the low tax rate, which has lured many new businesses to the state, has been a big factor in the state's economic rebound over the past few decades. (The unemployment rate is well below the national average.)

New Hampshire's corporate and business profits tax is actually a bit above average. But the low personal tax rate has probably lured a lot of educated people into the state, some of whom have started businesses of their own, Norton says.

Some Schools Pay A Price

Still, New Hampshire does have pockets of poverty, especially in the northern part of the state, and some critics say the lack of a broad-based tax has hurt them. Because the state has no income tax, towns have traditionally had to fund their schools solely through local property taxes. Towns with low property values have to tax their residents at much higher rates than wealthier towns.

"It takes a lot more pennies per 1,000 to raise a dollar to support our children here than it does in Hanover, [N.H.]," says Jacqueline Guillette, superintendent of schools in the faded factory town of Claremont. "I know that. I owned a home in Hanover. When I moved down here, my taxes doubled."

Even with higher taxes, Claremont's schools are decidedly substandard and without any of the amenities that can be found in wealthy schools, like swimming pools, Mandarin classes and new athletic facilities.

At Claremont's Stevens High School, a building that dates to the Civil War, student athletes must practice in the town parks, and teachers earn \$20,000 a year less than in richer towns. Stevens once lost its accreditation over the condition of its building and is at risk of doing so again, Guillette says.

"It's not fair to our students not to have the access to technology that is equitable or consistent with what the students in Hanover have because of where their parents choose to live," she says.

In the 1990s, Claremont joined with other towns to sue the state over education funding, and the Legislature responded by passing a statewide property tax. But a big gap remains between schools in rich and poor towns, Claremont officials say.

A Basic Ambivalence

To Norton, the controversy over school funding reflects a basic ambivalence on the part of New Hampshire residents about the role of state government. Although most people believe the state has an obligation to provide an equal education for all students, there's also a strong tradition of local control.

New Hampshire could funnel more money toward poorer schools, regardless of what kind of tax it uses to do so, Norton says. But in a state with a strong libertarian streak, many people question how far the state's obligations go.

Is it required to provide every school with the same computer systems, basketball courts and language classes? Or is it merely required to provide a basic level of education?

"It's about, 'Do you want to redistribute those dollars -- take money away from Londonderry [N.H.], let's say, where they have relatively high values, and send it to Claremont, where they don't,' " Norton says.

The answer is yes and no, he says. "It's not about an income tax. It's about that fundamental redistribution impact."

And Norton doesn't see that ambivalence changing anytime soon. Many of the people who have moved into New Hampshire in recent years come from high-tax states like New York and Massachusetts, and they have embraced the anti-tax mindset with the fervor of the converted. Polls show that the idea of passing an income tax is less popular than ever.

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