

POLITICS

Could NH eliminate the property tax? Some lawmakers want businesses to foot the state's bills.



by **Charlotte Matherly**
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FILE - In this Tuesday Jan. 20, 2015 file photo, a plume of steam billows from the coal-fired Merrimack Station in Bow, N.H. Credit: Jim Cole



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In Mary Murphy's wildest dreams, New Hampshire could rid itself of a property tax entirely.

The state representative from Francestown, a Republican and former IBM executive, said if enough businesses come to the Granite State, the sheer volume of business tax revenue could begin to replace that paid by property owners.

Explaining her strategy at a cafe in Goffstown earlier this year, Murphy said she wants to grow certain industries that she views as "recession-proof," like life sciences and manufacturing.

"Right now, the state is very vulnerable because we are heavily dependent on property taxes and on tourism and retail like this," she said, sipping a cortado. "When you have a recession, people don't have discretionary income anymore. They're getting laid off, and discretionary things like tourism and ... coffee shops, I think they're big victims."

New Hampshire seeks to market itself as an innovation hub, cashing in on proximity to Boston and an enticing corporate tax structure. But for companies, coming to the Granite State may not be as easy as state officials make it seem. A large chunk of the population is aging out of the workforce, and a tight housing market and high costs can make it difficult for employers and employees to relocate.

Murphy said her plan would address that. She and a few other state representatives hope to grow the workforce, lower costs and increase the state's supply of energy, housing and childcare, with an end goal of drawing more business — and revenue — to New Hampshire.

"This state would really be cooking if we can pull this off," she said.

Of course, it's not an easy feat. To succeed would require a united, sustained effort by the Legislature to put those policies in place, and while most lawmakers can agree on what the problems are, they often disagree on how to solve them.

The workforce side

A qualified workforce is the No. 1 consideration for companies looking to expand or relocate, said Natch Greyes, vice president of public policy at the Business & Industry Association of New Hampshire.

“That’s one of the big things that they look at, is the talent pool that currently exists, and then if there’s a mismatch, how easy is it to attract new employees?” Greyes said.

Chester Republican Rep. Mary Ford, who’s working with Murphy on this business strategy and who serves as the director of the state’s Registered Educator Apprenticeship Program, said apprenticeships can build a workforce “feeder system” within New Hampshire. They offer paid, on-the-job experience for students alongside their classroom studies.

ApprenticeshipNH, a program run by the community college system, can work with incoming employers to tailor credentials and training to their needs, Ford said — some already focus on advanced manufacturing and AI.

“They work with the specific industries to develop the programs they need for their future workforce,” Ford said, “so if they do move to New Hampshire, they have a program that they can implement for training their future workforce.”

At the same time, when necessities like housing and childcare are either unavailable or out of reach — a reality for many New Hampshire families — companies can struggle to import new workers.

“What we really do need is affordable childcare,” Ford said.

Part of that, she believes, would be paying childcare workers a higher wage. Lawmakers are also on the cusp of passing legislation that would create a tax credit for businesses that add 12 new childcare slots, either by providing it themselves or paying another provider to do so. Gov. Kelly Ayotte pitched the idea in her State of the State address earlier this year.

On the housing front, new zoning laws passed last year are **purported to make development easier**. The governor has tried to quicken the permitting process and cut red tape, although Republicans have also **cut state funding** for development and infrastructure grants.

The housing market is showing early signs of stabilizing, but the state still has a long way to go; prices remain high, and construction costs and scarce infrastructure in rural areas continue to impede development.

The business side

Other legislation would focus on amending the state's tax and legal infrastructure to appeal to larger companies.

To build on big business, state leaders often tout New Hampshire's lack of income, sales and — most recently — interest and dividends taxes, as well as lower levies on corporate profits. But as Republicans chip away at funding streams, Democrats argue these tax cuts jeopardize funding for public services and put the onus on property owners to make up the difference.

Murphy falls somewhere in the middle. She agrees with her party that every tax cut makes New Hampshire more competitive than its New England neighbors. At the same time, each one burns a hole in state coffers.

Revenue from business profits and enterprise taxes funds about **one-third** of the state budget, according to the New Hampshire Fiscal Policy Institute, but has failed to consistently meet projections.

In addition to efforts to cut business taxes, other bills seek to increase the cap on research and development tax credits (**House Bill 1102**) and lift regulations on experimental medical treatments (**House Bill 1734**).

Some lawmakers, like Orange Rep. Donald McFarlane, want the state to seriously consider a new court system to handle business matters like mergers and shareholder lawsuits. New Hampshire already has a specialized business docket, but larger infrastructure could follow the model of Delaware's chancery court, where nearly two million corporations have their legal headquarters.

New Hampshire is home to 185,854 business entities as of April 9, according to data from the Secretary of State's office.

"I do think that there is a potential here for increased recurring revenue," McFarlane said at a public hearing on **House Bill 1419** in February. "I do think that there is a potential to attract an increasing diversity of businesses and make ourselves more resilient to various forms of retrenchment and recession than we may be today with heavy dependencies on things like tourism and logging."

Some are bullish on New Hampshire's ability to siphon business from Delaware, but it could be an uphill climb. John Orcutt, a business and tax law professor at the UNH Franklin Pierce School of Law, said Delaware adapts nimbly to any concerns raised about its court system.

“Any time you try to compete with Delaware, you’ve got to understand that they’ve got a very good court system,” Orcutt said. “They’ve got a very good, business-centric Legislature. It’s hard to replace that.”

Building momentum

Murphy believes her approach is shared by others in state government — even in the corner office.

The morning after Democratic Socialist Zohran Mamdani was elected the next mayor of New York City, Ayotte took aim. Her campaign sent a billboard truck to Times Square to court businesses, reading: “Come on up to New Hampshire for no Communism, less red tape and less taxes!”

The marketing ploy went further south than Ayotte’s usual target, Massachusetts, and echoed the message that Murphy and others hope will draw more businesses to New Hampshire. Murphy took it as a sign that the governor has endorsed her plan.

Ayotte’s office did not respond to interview requests for this story.

The governor often touts low taxes and welcomes new businesses — especially when they come from the Bay State. Most recently, SynQor, which makes power converters, relocated from Massachusetts to Salem, New Hampshire.

Ayotte’s pick to lead the Department of Business and Economic Affairs, marketing executive Lucy Lange, was seen by many as a move to realign the agency’s focus. The governor stressed a need for a “fresh outlook on how we market New Hampshire to businesses looking for a new place to grow.”

Lange, confirmed to the role in February, was not available for an interview for this story.

Ayotte has also thrown her weight behind nuclear energy, speeding up the state’s housing permitting process and the childcare tax credit bill.

“We need to address the rising cost of childcare to help families thrive and keep our economy growing,” Ayotte said in a press release earlier this month, “and I’m glad to see the House pass a tax credit to encourage businesses to help meet this need for their workforce.”

What's next?

With “Crossover Day” — the deadline for the House and Senate to act on all bills that originated in their chamber — behind them, the prongs of this plan now face further scrutiny.

Some have been fast-tracked. The childcare tax credit plan sailed through the Senate on Thursday, with Ayotte expected to sign it. Others may be subject to changes or take more time to garner buy-in from the Legislature, governor and state agencies.

Murphy said she's in it for the long haul. Even if she isn't reelected for a second term this fall, she said, she'd continue to advocate for it as a private citizen.

“This will outlive me,” Murphy said. “If people take it up like I'm hoping, it outlives the governor and the current leadership and all that kind of stuff. This has to be something the state embraces so that we have some continuity.”