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Taxpayers can now remit estimates, extensions, tax notices and return payments on the internet for Interest & Dividends Tax, Business Profits Tax, Business Enterprise Tax and Meals & Rentals Tax. Some Interest & Dividends Tax Returns may also be filed electronically. For more information, please visit our web site.

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**DOCUMENT PROCESSING DIVISION,
PO Box 637, Concord, NH 03302-0637
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**TAXPAYER ADVOCATE, PO Box 457, Concord,
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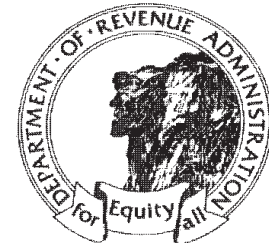
Individuals who need auxiliary aids for effective communication in programs and services of the New Hampshire Department of Revenue Administration are invited to make their needs and preferences known. Individuals with hearing or speech impairments may call TTY/TDD Relay Services 1-800-735-2964.

**STATE OF NEW HAMPSHIRE
DEPARTMENT OF REVENUE ADMINISTRATION
(603) 271-2191**

**FREQUENTLY ASKED QUESTIONS
(FAQ's)**

**INTEREST AND DIVIDENDS
TAX
(I&D)**

RSA 77 REV 900



The New Hampshire Department of Revenue Administration offers this publication of answers to the most frequently asked questions. While we have attempted to identify the most common concerns, this publication does not address every situation, set of facts, or circumstances. Our goal is to develop a tax administration system that is fair and efficient, with taxpayers having the highest degree of confidence in the integrity of the Department.

Visit us on the web: www.nh.gov/revenue

Q: What is the Interest and Dividends Tax (I&D)?

A: It is a 5% tax on interest and dividend income. Currently, the State of New Hampshire does not have an income tax on an individual's reported W-2 wages and capital gains.

Q: Who pays it?

A: Resident individuals, partnerships, limited liability companies and fiduciaries with non-transferable shares earning interest and dividend taxable income of more than \$2,400 annually (\$4,800 for joint filers). In addition, the following exemptions may also apply: 1) a \$1,200 exemption is available for residents who are 65 years of age or older; 2) a \$1,200 exemption is available for residents who are blind regardless of their age; and 3) a \$1,200 exemption is available to disabled individuals who are unable to work, provided they have not reached their 65th birthday.

Q: When is the return due?

A: The return is due on the 15th day of the 4th month following the end of the taxable period. There is no filing requirement for an individual whose total interest and dividend income, after deducting all interest from U.S. Obligations or other non-taxable income, \$2,400 or less (\$4,800 for joint filers) for a taxable period.

Q: Do I have to make estimated payments?

A: Interest & Dividends Tax filers whose tax liability exceeds \$500 must make estimated tax payments. Quarterly estimates paid at 25% each, are due on April 15, June 15 and September 15 of the current calendar year, and January 15 of the subsequent calendar year. For fiscal year filers, estimates are due on the 15th day of the 4th, 6th, 9th & 12th month of the taxable period.

Q: Who do I contact with questions?

A: Central Taxpayer Services at (603) 271-2191.

Q: Are liquidating dividends taxable?

A: No.

Q: My spouse lives in another state, do I have to file a joint return?

A: No. If one spouse is not a resident, the resident spouse shall file a return alone and report his or her interest and dividend income, and 50% of the interest and/or dividends from jointly held investments.

Q: What factors are used to determine if I am a resident of New Hampshire?

A: Factors include, but are not limited to: Do you maintain a home, spending a greater percent of time in New Hampshire than elsewhere; Have you advised a state or local agency you are a resident; Are you registered to vote in New Hampshire; Are you licensed to drive in New Hampshire. Refer to N.H. Code of Admin. Rules, Rev. 900, Rev. 902.01, 902.02 and 902.03.

Q: Do I have to report portfolio income, gains and losses?

A: Yes, you must report your portfolio income, gains and losses in Page 2, Line 2 of the New Hampshire Interest and Dividend Tax return, but then you deduct them on Page 2, Line 4.

Q: Are distributions taxable?

A: All distributions, whether actual or constructive, (including non-cash distributions) from all corporations are taxable by New Hampshire regardless of the original source of the income.

Partnerships, LLC's, Associations, Trust or Estates: Does the organization have transferable shares? (Can you freely transfer your shares without causing a dissolution of the organization or without obtaining prior member approval?) If yes, your entire ACTUAL distribution from this organization is taxable. If so, all of your actual and constructive receipt of distributions (including non-cash distributions) from this entity are taxable by New Hampshire regardless of the original source of the income.

If the organization is not required to file its own New Hampshire Interest & Dividends Tax return AND the organization has non-transferable shares, then any distribution you received is taxable to you as if it had come from its original source. The interest and dividend tax is imposed on the portion of the distribution which represents interest and dividend received by the entity. Therefore, a portion of the distribution you received is taxable to you. The taxable portion is determined by multiplying the amount of the actual distribution received by a fraction. The numerator is the total interest and dividend income received by the entity. The denominator is the total amount of gross income received by the entity.

Q: Is interest and dividends from College Investment Savings Plans taxable to New Hampshire under the Interest and Dividends Tax?

A: No, qualified interest or dividend income from a College Investment Savings Plan is not taxable.

Q: Why did I receive a NH Form 1099-G and what should I do with it?

A: The NHDRA is required by the Internal Revenue Service to notify any non-corporate taxpayer by January 31, of activity in the prior year that was a refund, credit or offset of taxes based on income. If a refund is indicated you will have received a corresponding check. A credit is an overpayment which is applied to another tax period. An offset is an overpayment that is applied to a tax notice. We must also provide the information to the IRS, and you may be required to report all or part of the amount of the New Hampshire Form 1099-G as income on your federal return. Give the form to your preparer, if you have one; or review the instructions in your federal tax booklet for the proper federal treatment.