

New Hampshire Department of Revenue Administration
Overview of New Hampshire Taxes
House Ways & Means Committee
January 26, 2021



Lindsey M. Stepp, Commissioner
Carolynn J. Lear, Assistant Commissioner
109 Pleasant Street, Concord, NH 03301
603-230-5000



MISSION

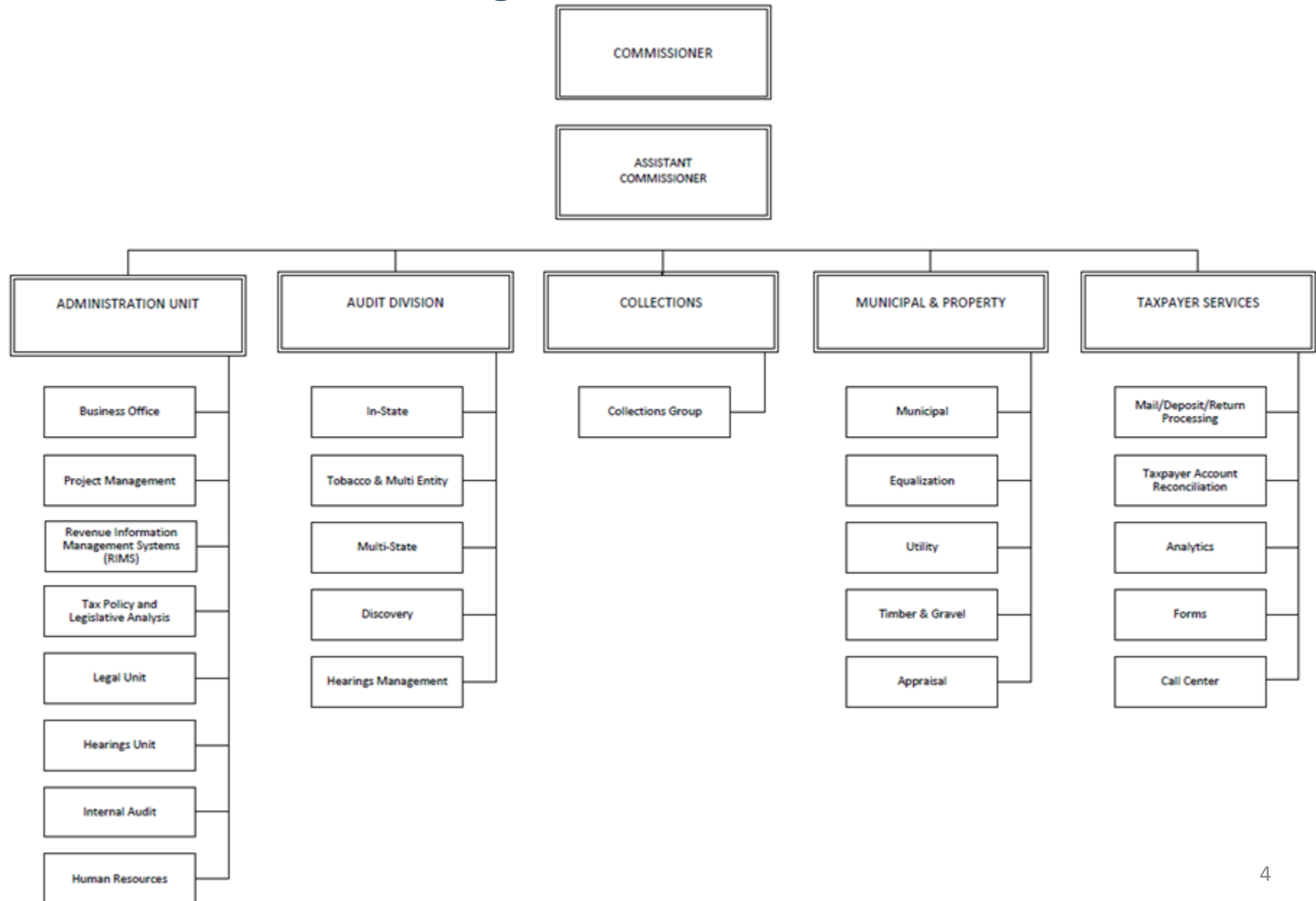
The mission of the Department of Revenue Administration is to fairly and efficiently administer the tax laws of the State of New Hampshire, collecting the proper amount of taxes due, incurring the least cost to the taxpayers, in a manner that merits the highest degree of public confidence in our integrity. Further, we will provide prompt and constructive assistance to the municipal units of government in matters of budget, finance, and the appraisal of real estate.



TAXPAYER INTERACTION

It is the policy of the Department of Revenue Administration to administer the tax laws of the State in a manner that demonstrates efficiency, fairness, and courtesy towards every taxpayer.

Department of Revenue Administration Organizational Chart



Tax Policy & Legislative Analysis Group

Carollynn J. Lear, Assistant Commissioner

Melissa Rollins, Senior Financial Analyst

Devin Rodrique, Financial Analyst

- Prepare Fiscal Note Worksheets and Quick Guides for legislation;
- Work with legislators in analyzing tax policy and fiscal impact;
- Attend hearings to assist House and Senate committee deliberation on legislation;
- Testify before House and Senate committees regarding tax policy and fiscal impact;
- Track legislation; and
- Assist in Department rule and form changes as a result of new laws.



Taxes Administered by DRA ~ \$2.3B Revenue

<u>Tax Type</u>	<u>Tax Rate</u>	<u>Statute</u>
Business Enterprise Tax	0.6%	RSA 77-E
Business Profits Tax	7.7%	RSA 77-A
Communications Services Tax	7.0%	RSA 82-A
Interest and Dividends Tax	5.0%	RSA 77
Meals and Rooms Tax	9.0%	RSA 78-A
Medicaid Enhancement Tax	5.4%	RSA 84-A
NFQA	5.5%	RSA 84-C
Tobacco Tax	\$1.78 per pack/65.03% wholesale price	RSA 78
Taxation of Railroads	Average rate of taxation of other property	RSA 82
Utility Property Tax	\$6.60 per \$1,000 of utility property value	RSA 83-F
Excavation Tax	\$.02 per cubic yard (Local revenue)	RSA 72-B
Real Estate Transfer Tax	\$0.75 per \$100	RSA 78-B
Timber Tax	10% of stumpage value (Local revenue)	RSA 79
Property Tax (Includes SWEPT)	Varies (Local revenue)	RSA 76

Taxes DRA Does Not Collect

<u>Tax Type</u>	<u>Statute</u>
Insurance Premium Tax	RSA 400-A
Beer Tax	RSA 178
Road Toll (Gas Tax)	RSA 260

Tax Revenue - Fiscal Year 2020 (Audited)

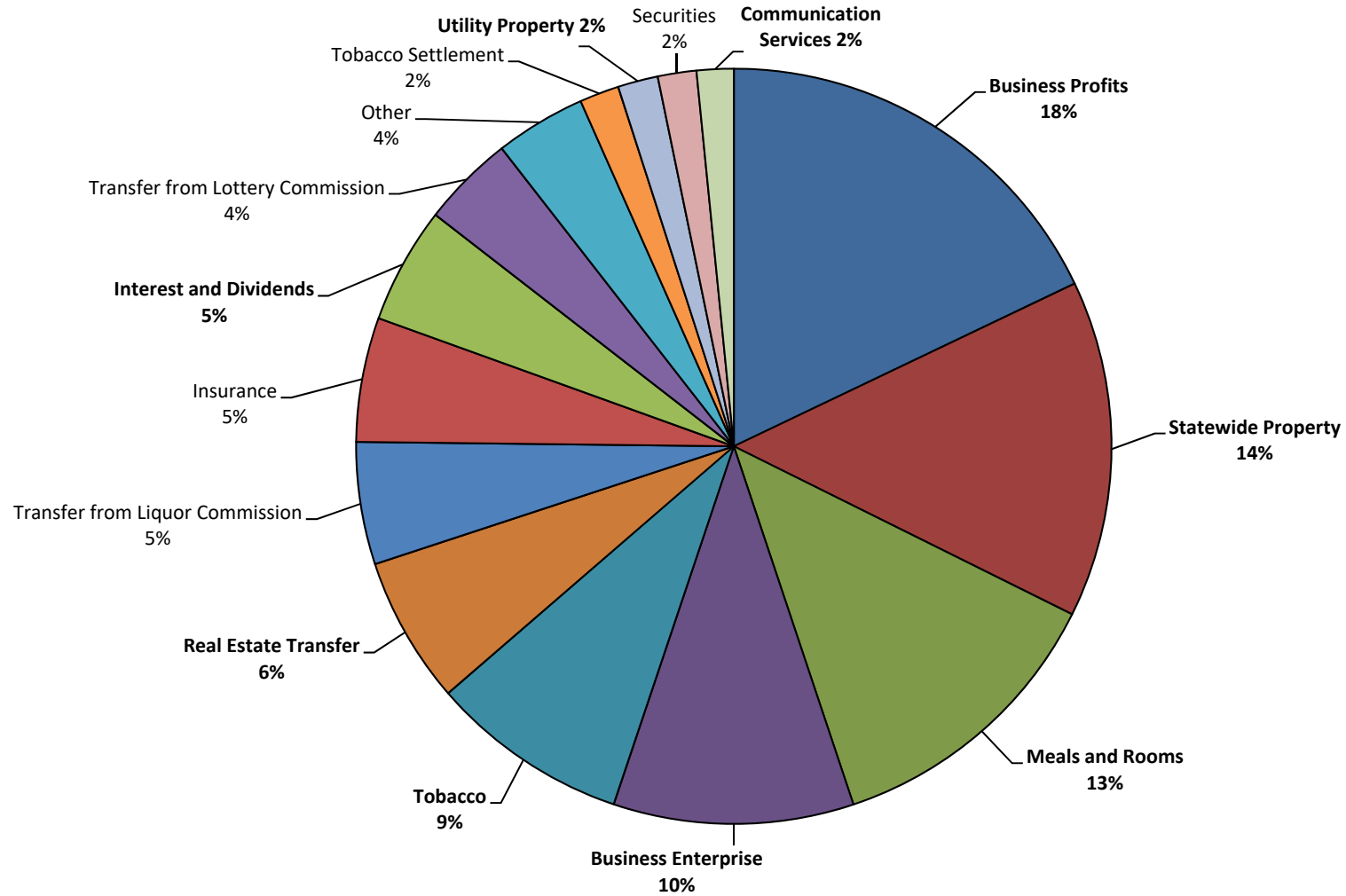
<u>Tax Type</u>	<u>Audited Revenue</u>
Business Profits Tax	\$450.8M
Business Enterprise Tax	\$258.9M
Subtotal Business Tax	<hr/> \$709.7M
Communications Services Tax	\$39.8M
Interest and Dividends Tax	\$125.7M
Meals and Rooms Tax	\$315.4M
Medicaid Enhancement Tax	*\$263.3M
NFQA	*\$40.6M
Tobacco Tax	\$214.0M
Taxation of Railroads	*\$0.3M
Utility Property Tax	\$43.3M
Real Estate Transfer Tax	\$158.4M
State Wide Education Property Tax	\$363.2M
TOTAL	\$2.3B

* FY2020 NFQA, MET & Taxation of Railroads is Unaudited Cash

Share of Unrestricted Revenues

General and Education Funds – Source FY2020 CAFR (Audited)

Note: DRA's statutory responsibilities represent nearly 80% of NH State General and Education Trust Fund Revenue (\$2.0B out of \$2.5B)



Business Profits Tax (BPT)

RSA 77-A

Overview of Tax	When to File/Pay for Calendar Year End
<ul style="list-style-type: none">•7.7% of taxable business profits for taxable periods ending on or after 12/31/19•Every enterprise organized for gain or profit carrying on any business activity within the state•Gross business income in excess of \$50,000 from all activities	<ul style="list-style-type: none">•Partnership returns are due March 15•Corporate, proprietorship, and fiduciary returns are due April 15•7-month extensions to file, with payment, are due by the return due date•Estimates equal to 25% of estimated tax liability are due April 15, June 15, September 15 and December 15 if estimated liability exceeds \$200

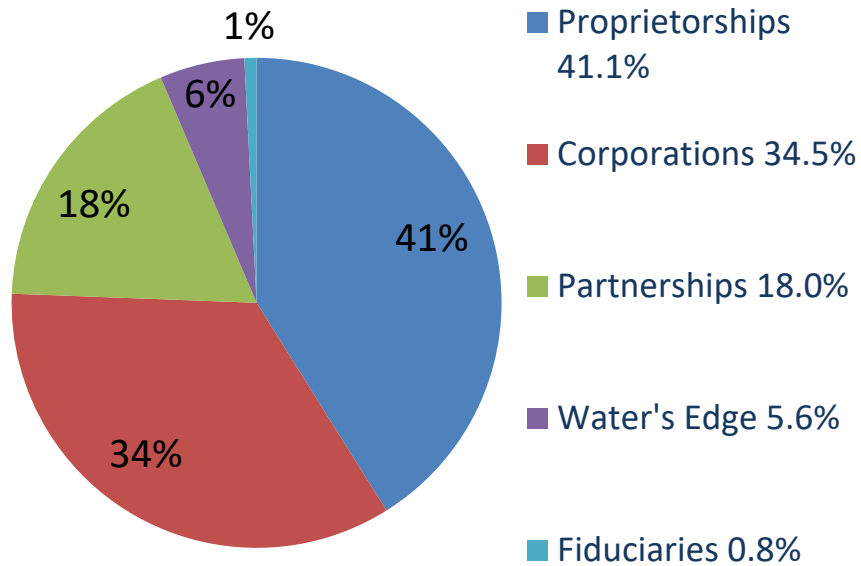
BPT Taxpayers

For Tax Year 2018

1.4% of filers pay 85% of BPT

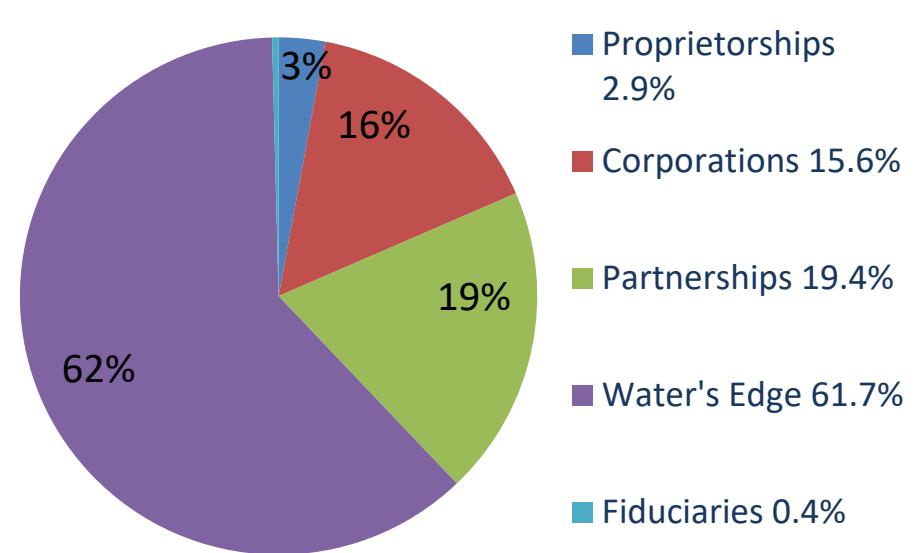
Entities Filing BPT Tax Returns

Percentage as a whole



Entities Paying BPT Tax

Percentage as a whole



Who Pays the BPT?

BPT - Tax Year 2018

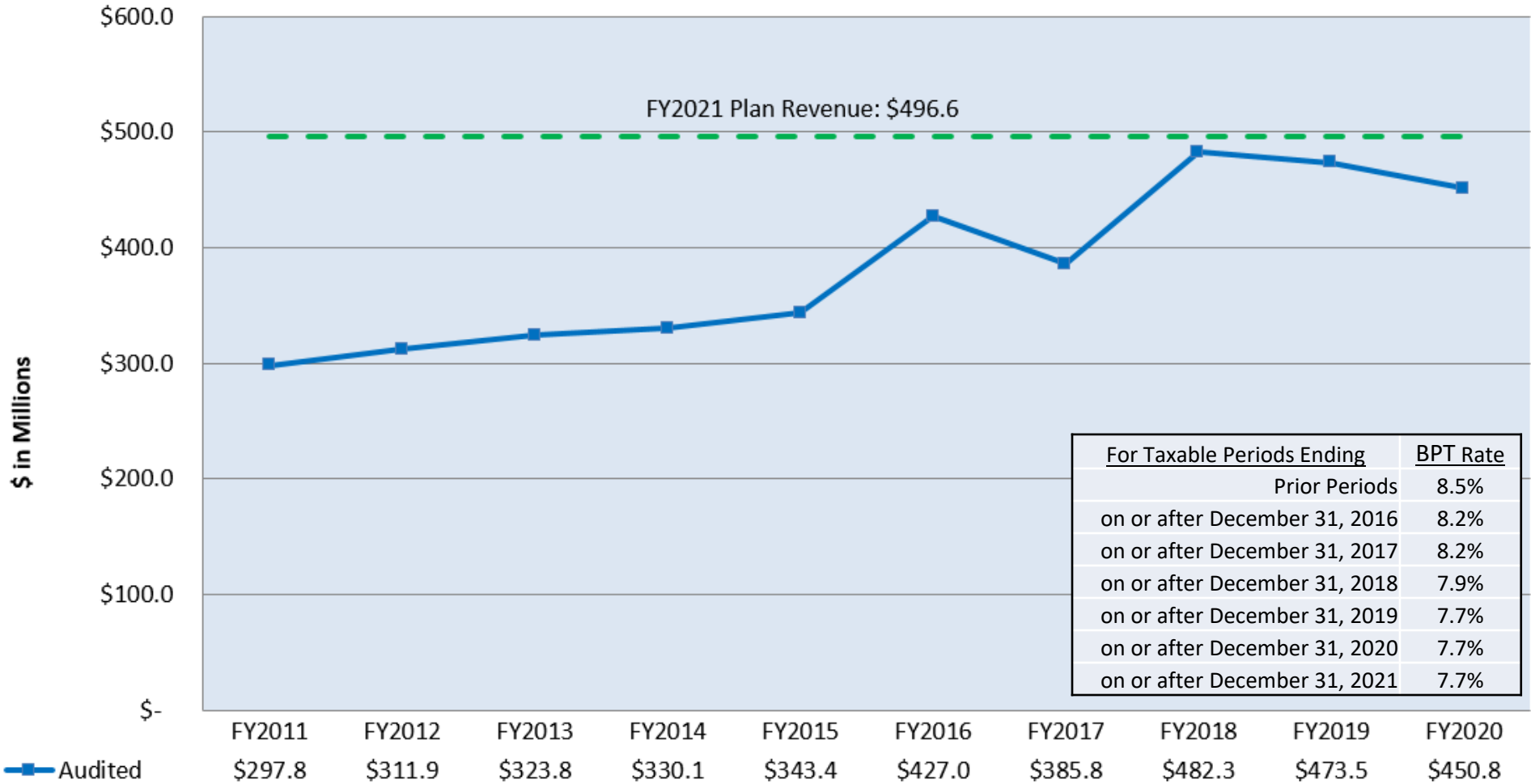
Business Profits Tax Stats by Tax Year and Amount of Tax Liability				
<i>This Population includes all Corporations, Partnerships, Proprietorships, and any other Entity that Files BS Tax</i>				
DRAFT as of 8/27/2020				
Tax Year 2018 Range in Tax Reported	COUNT	Sum BP TAX	% of POP	% of Tax Liability by POP
\$0	56,856	\$0	76.5%	0.0%
\$1 - \$500	4,901	\$797,252	6.6%	0.2%
\$500 - \$1K	1,801	\$1,320,449	2.4%	0.3%
\$1K - \$10K	7,291	\$27,465,386	9.8%	5.3%
\$10K - \$50K	2,417	\$50,945,903	3.3%	9.8%
\$50K - \$100K	464	\$32,578,674	0.6%	6.3%
\$100K - \$1MIL	537	\$151,952,630	0.7%	29.2%
>\$1MIL	76	\$255,677,979	0.1%	49.1%
Totals:	74,343	\$520,738,272	100.0%	100.0%

2018	COUNT	Sum BP TAX	% of Total POP	% of Total Tax Liability by POP
Corporations	25,623	\$81,384,942	34.5%	15.6%
Water's Edge	4,189	\$321,282,380	5.6%	61.7%
Partnerships	13,388	\$100,946,766	18.0%	19.4%
Proprietors	30,571	\$14,887,124	41.1%	2.9%
Fiduciaries	572	\$2,237,061	0.8%	0.4%
Totals:	74,343	\$520,738,272	100.0%	100.0%

NOTE: Figures are unaudited and subject to change until all final and amended returns for the Tax Year are filed.

BPT Revenue 10-Year Trend

Audited Revenue



Factors Influencing Revenue: Economy, Federal tax reform, mergers and acquisitions, credits/exemptions, statutory changes (Business Tax rate reductions – trigger was not met, Market Based Sourcing – for taxable periods ending on or after December 31, 2021, Single Sales Factor Apportionment – for taxable periods ending on or after December 31, 2022)

Business Enterprise Tax (BET)

RSA 77-E

Overview of Tax	When to File/Pay for Calendar Year End
<ul style="list-style-type: none">•0.6% of the Enterprise Value Tax Base for taxable periods ending on or after 12/31/19•Every profit or non-profit enterprise or organization with any business activity inside NH (except 501(c)(3) organizations)•Gross business receipts in excess of \$222,000 or Enterprise Value Tax Base greater than \$111,000 (both adjusted based on CPI every 2 years), for taxable periods beginning 1/1/21•Credit for BET paid against Business Profits Tax due•Carry forward unused credit for 10 years	<ul style="list-style-type: none">•Partnership returns are due March 15•Corporate, proprietorship, and fiduciary returns are due April 15•Non-profit returns are due May 15•7-month extensions to file, with payment, are due by the return due date•Estimates equal to 25% of estimated tax liability are due April 15, June 15, September 15 and December 15 if estimated liability exceeds \$260

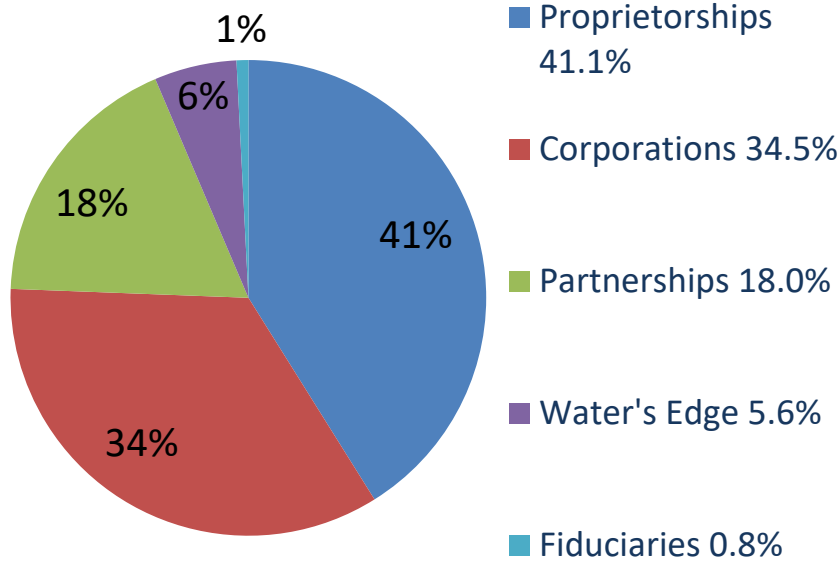
BET Taxpayers

For Tax Year 2018

3.9% of filers paid 73.9% of BET

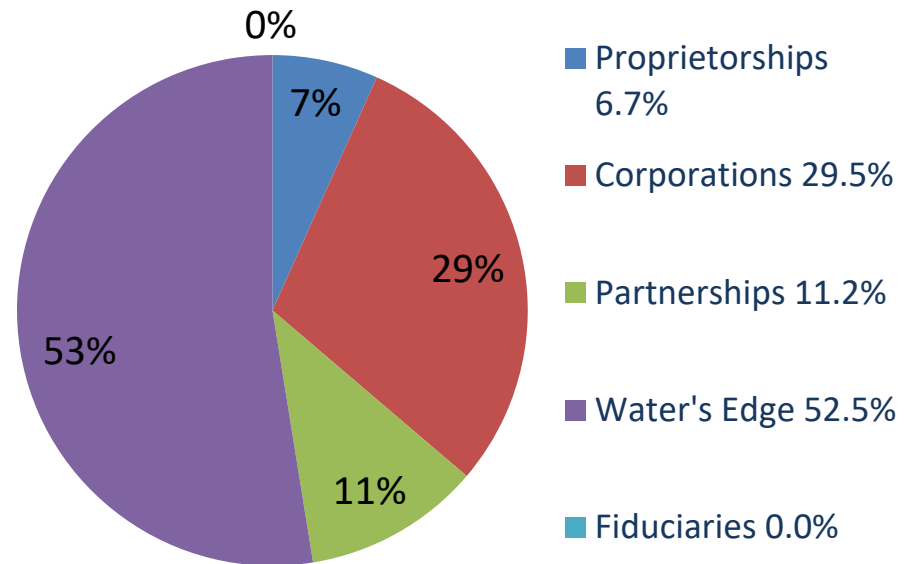
Entities Filing BET Tax Returns

Percentage as a whole



Entities Paying BET Tax

Percentage as a whole



Who Pays the BET?

BET - Tax Year 2018

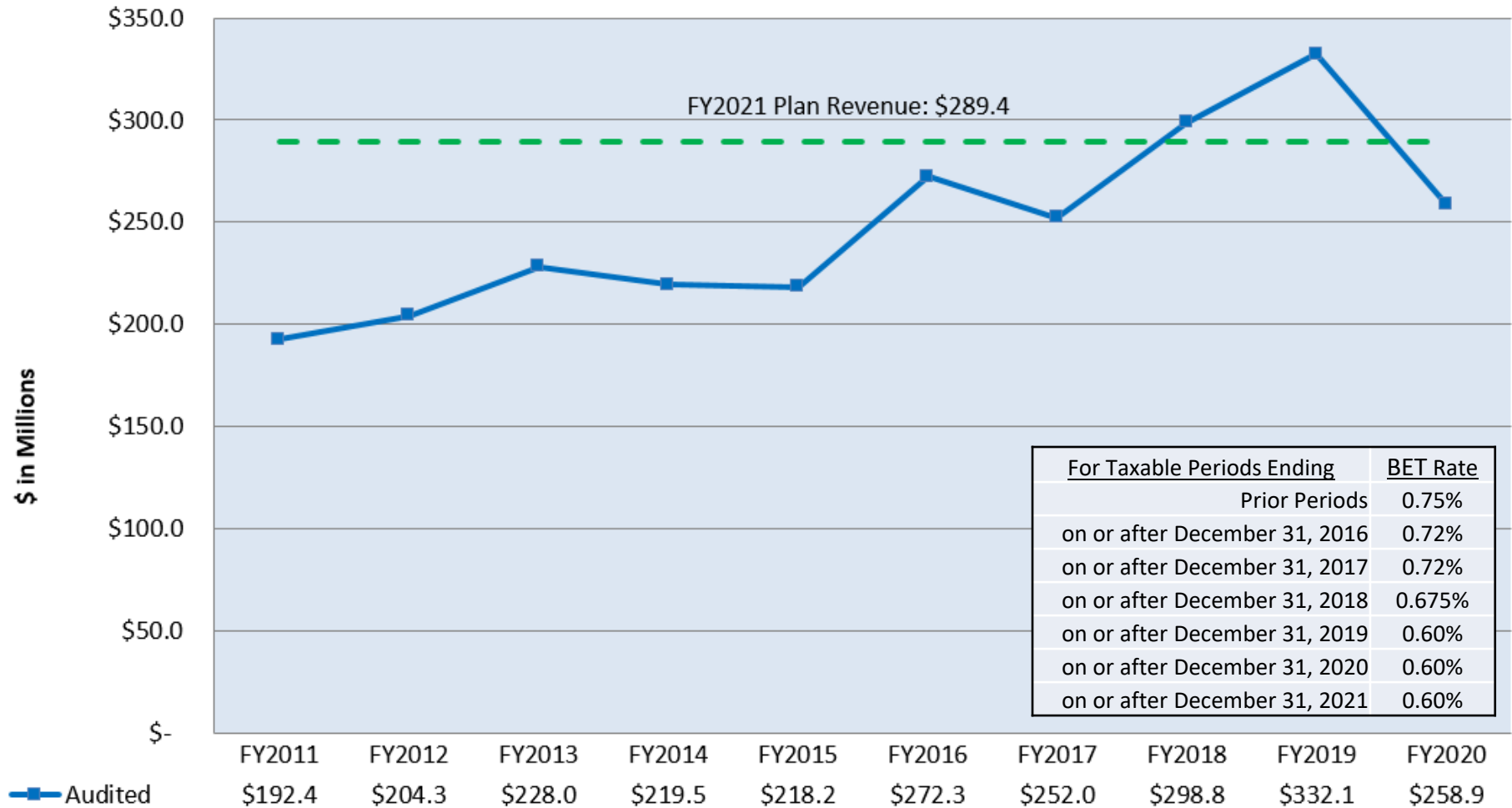
Business Enterprise Tax Stats by Tax Year and Amount of Tax Liability <i>This Population includes all Corporations, Partnerships, Proprietorships, and any other Entity that Files BS Tax</i> DRAFT as of 8/27/2020				
Tax Year 2018 Range in Tax Reported	COUNT	Sum BE TAX	% of POP	% of Tax Liability by POP
\$0	35,831	\$0	48.2%	0.0%
\$1 - \$500	10,227	\$2,059,619	13.8%	0.9%
\$500 - \$1K	7,865	\$5,862,797	10.6%	2.5%
\$1K - \$10K	17,415	\$51,946,741	23.4%	22.5%
\$10K - \$50K	2,404	\$48,495,003	3.2%	21.0%
\$50K - \$100K	333	\$22,918,289	0.4%	9.9%
\$100K - \$1MIL	250	\$59,296,020	0.3%	25.7%
>\$1MIL	18	\$39,965,695	0.0%	17.3%
Totals:	74,343	\$230,544,165	100.0%	100.0%

2018	COUNT	Sum BE TAX	% of Total POP	% of Total Tax Liability by POP
Corporations	25,623	\$68,057,767	34.5%	29.5%
Water's Edge	4,189	\$121,041,758	5.6%	52.5%
Partnerships	13,388	\$25,842,079	18.0%	11.2%
Proprietors	30,571	\$15,496,911	41.1%	6.7%
Fiduciaries	572	\$105,650	0.8%	0.0%
Totals:	74,343	\$230,544,165	100.0%	100.0%

NOTE: Figures are unaudited and subject to change until all final and amended returns for the Tax Year are filed.

BET Revenue 10-Year Trend

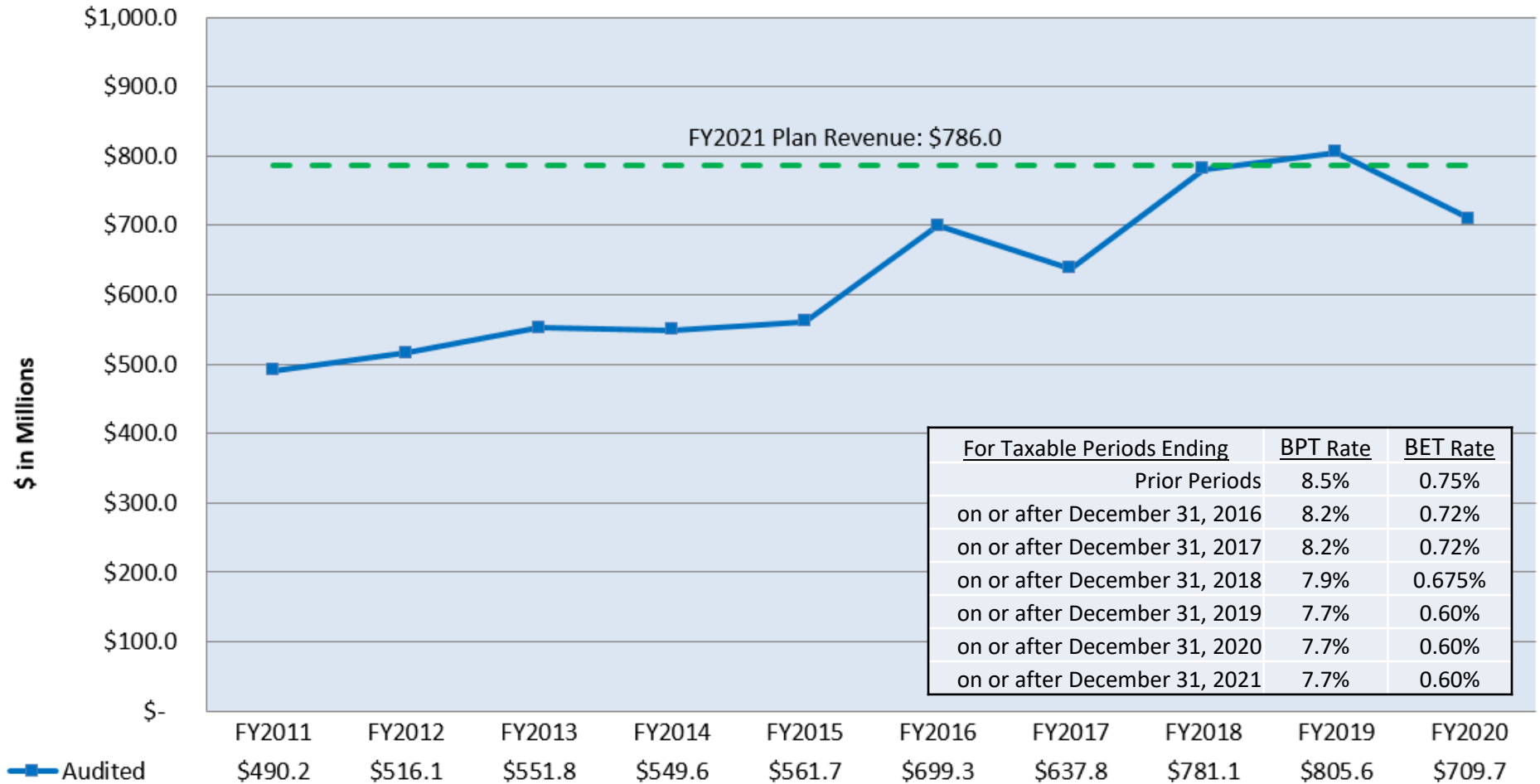
Audited Revenue



Factors Influencing Revenue: Economic cycle, including employment levels and wages, federal tax reform, credits and exemptions, statutory changes (Business Tax rate reductions – trigger was not met, and thresholds)

BPT & BET Revenue 10-Year Trend

Audited Revenue



Timing of Business Tax Documents Received for Calendar Year Filers Compared to State Fiscal Year 2021

Calendar Tax Year Filer (90% of filers) = January 1, 2020 to December 31, 2020

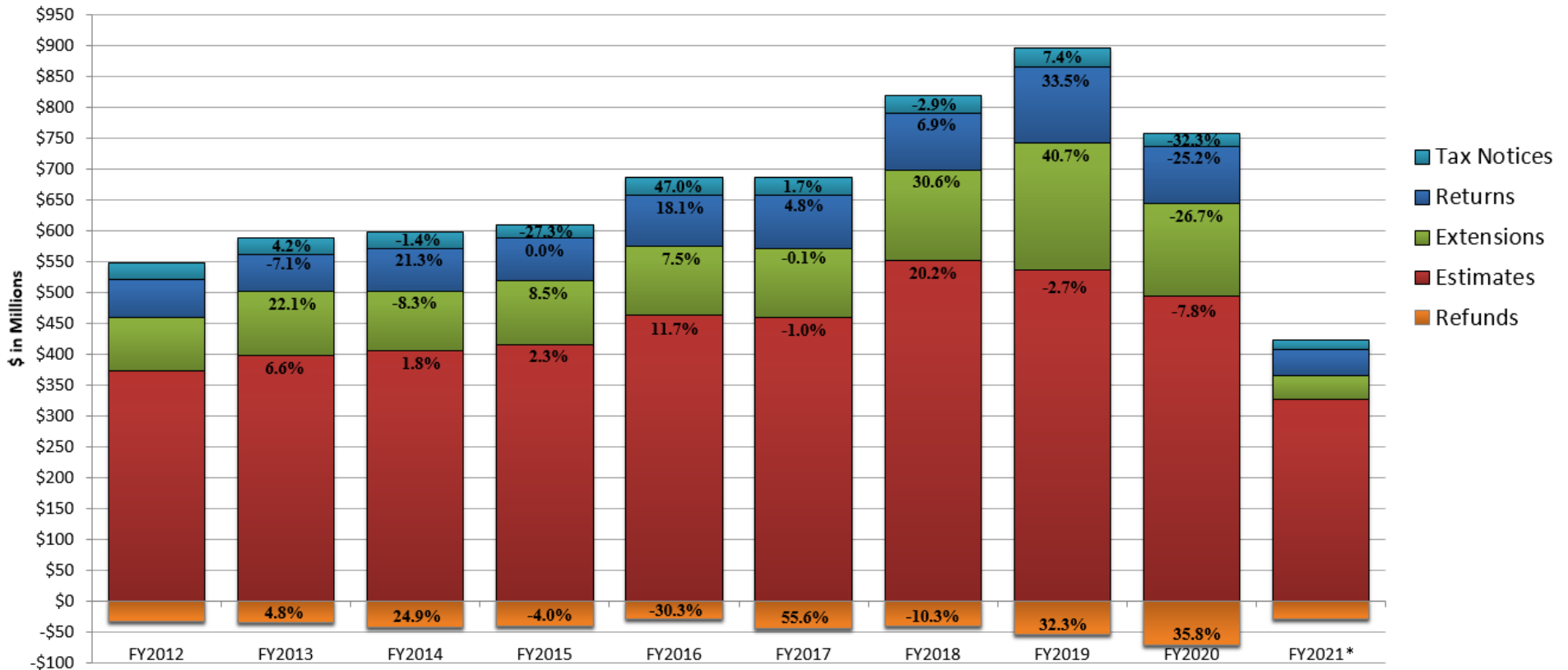
January 2020	February 2020	March 2020	April 2020	May 2020	June 2020	July 2020	August 2020	September 2020	October 2020	November 2020	December 2020
		2019 Returns Due for Partnerships	2019 Returns Due for Corps, Combined Groups, Props, & Fiduciary	2019 Return Due for Non-Profits	2nd 2020 Estimate Payment			3rd 2020 Estimate Payment	2019 Returns on Extension Due for Partnerships	2019 Returns on Extension Due for Corps, Combined Group, Props, & Fiduciary	2019 Returns on Extension Due for Non-Profits
			1st 2020 Estimate Payment								4th 2020 Estimate Payment

	Estimate Payment
	Return on Extension
	Returns

Example of How a Calendar Year Filer's Tax Documents Equate to State Fiscal Year 2021											
July 2020	August 2020	September 2020	October 2020	November 2020	December 2020	January 2021	February 2021	March 2021	April 2021	May 2021	June 2021
		3rd 2020 Estimate Payment	2019 Returns on Extension Due for Partnerships	2019 Returns on Extension Due for Corps, Combined Group, Props, & Fiduciary	2019 Returns on Extension Due for Non-Profits			2020 Returns Due for Partnerships	2020 Returns Due for Corps, Combined Group, Props, & Fiduciary	2020 Return Due for Non-Profits	2nd 2021 Estimate Payment
					4th 2020 Estimate Payment				1st 2021 Estimate Payment		

Historical Business Tax Returns, Estimates, Extensions, Tax Notice Payments and Refunds

Year-Over-Year Change
(Cash Basis)

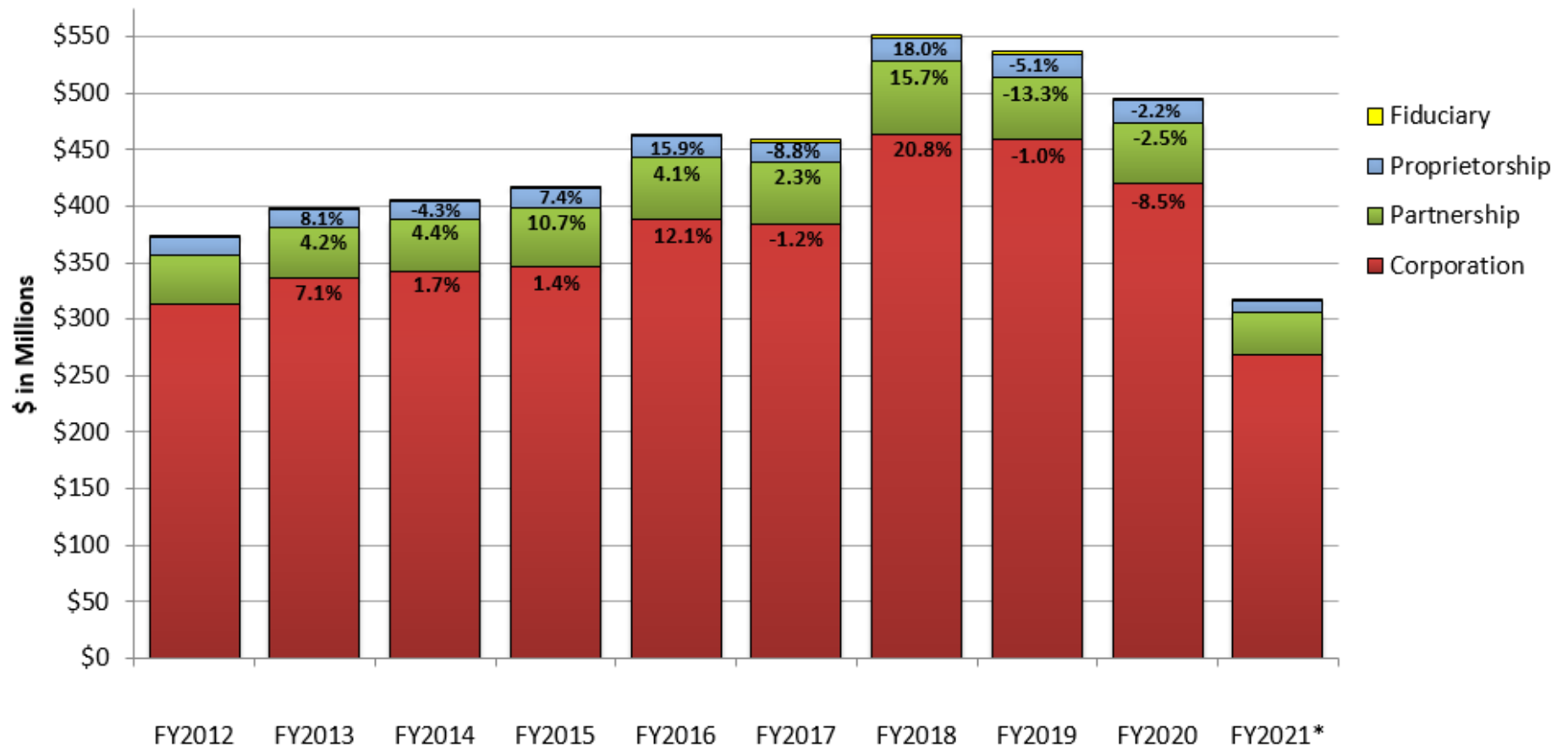


*FY2021 includes July 2020 – December 2020

Business Tax Estimate Analysis

Year-Over-Year Change
(Cash Basis)

The majority of Business Tax revenue is derived from estimates. The following chart depicts a 10-year history of NH Business Tax estimate revenue by entity type.



*FY2021 includes July 2020 – December 2020

Meals and Rooms (Rentals) Tax (M&R)

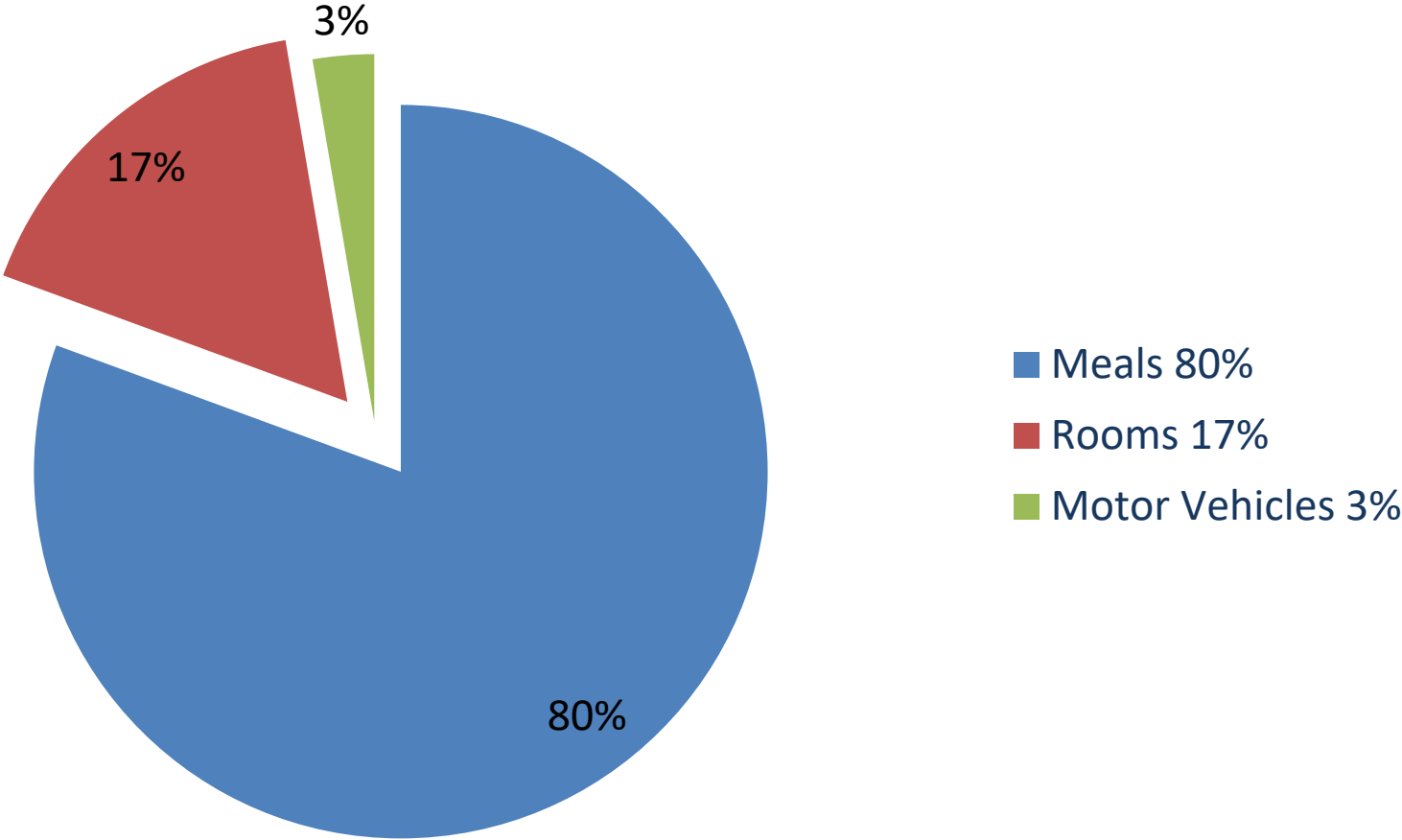
RSA 78-A

Overview of Tax	When to File/Pay
<ul style="list-style-type: none">•9% on meals, rooms and motor vehicle rentals•Tax is paid by the consumer and collected and remitted by operators of hotels, restaurants, or other businesses providing taxable meals, room rentals, and motor vehicle rentals•Operators may retain a commission equal to 3% of taxes due if return and payment are timely filed, they maintain appropriate records, and they file electronically if the prior year's taxable revenue was greater than \$25,000	<ul style="list-style-type: none">•Returns are filed on a monthly basis and are due by the 15th day of the month following the taxable period•Electronic filing via personal computer, is available•A paper return is not required if filing electronically, but operators must retain the Meals and Rooms (Rentals) worksheet

M&R Tax

Gross Meals & Rentals (M&R) Tax Liability Reported by Activity Type

For FY2016 to FY2020, on average, M&R Tax revenues were composed of:

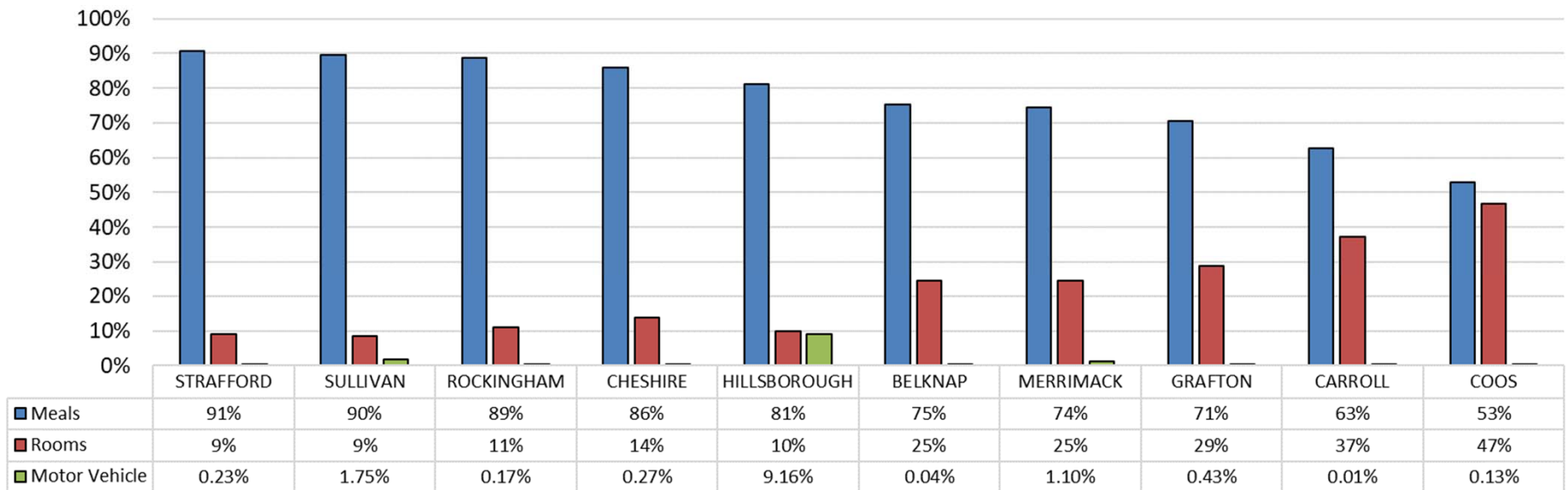


FY2020 M&R Tax Components By County

\$ in Millions

County	ROCKINGHAM	HILLSBOROUGH	MERRIMACK	GRAFTON	CARROLL	STRAFFORD	BELKNAP	COOS	CHESHIRE	SULLIVAN	TOTAL
Tax Due Net of Commissions	\$103.5	\$88.9	\$28.9	\$28.3	\$23.1	\$18.1	\$16.1	\$10.1	\$9.7	\$3.7	\$330.4
% of Statewide	31%	27%	9%	9%	7%	6%	5%	3%	3%	1%	100%

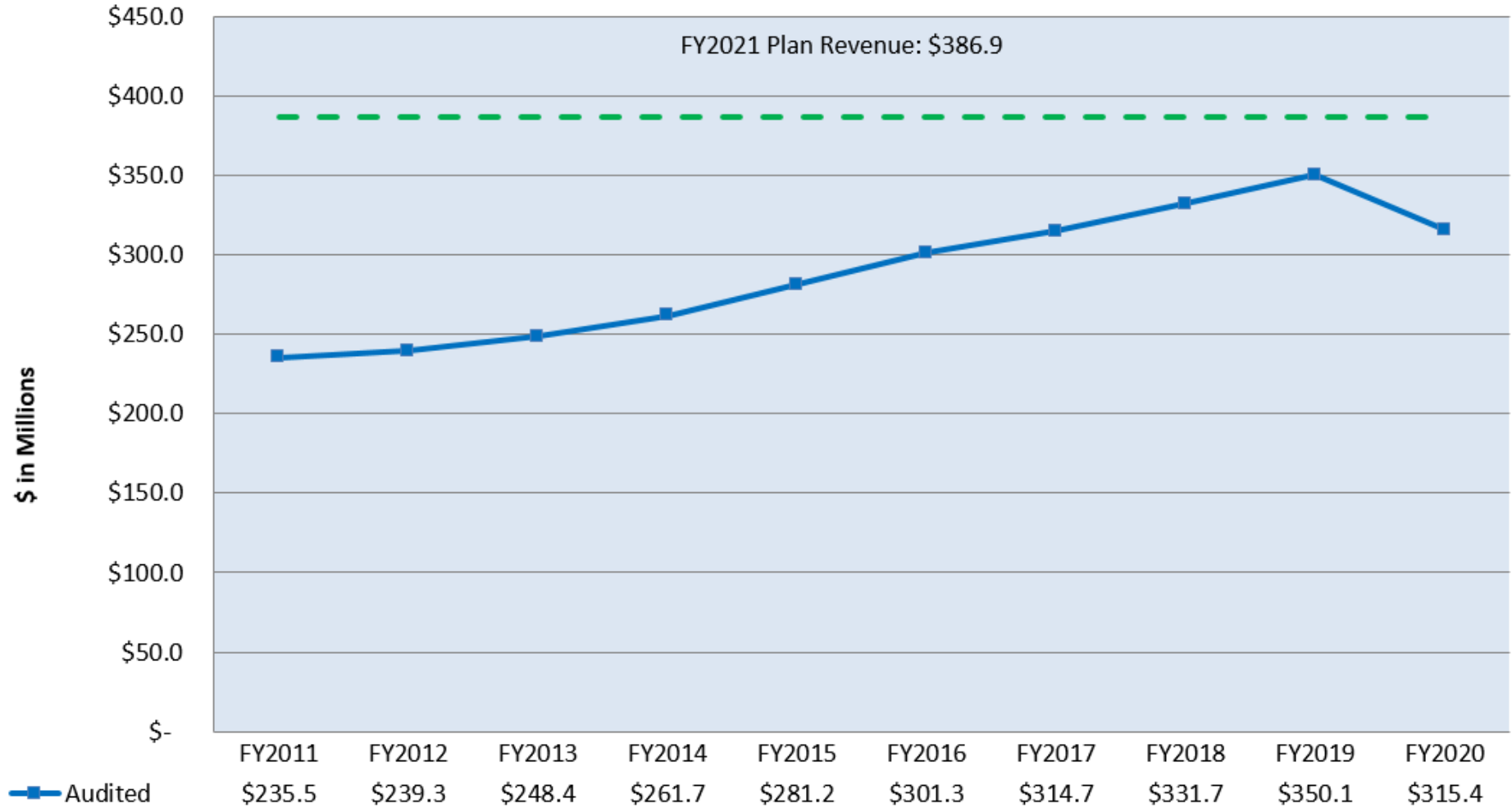
Please note: The Department does not collect information on where M&R Tax revenue was generated. The data in this chart represents the revenue collected by County based on the address from which each Meals & Rentals Operator reports M&R tax. The reporting location is often different than the location where the taxable transaction occurred and where M&R Tax was collected. Many M&R Operators file their returns on a consolidated basis, meaning, the Operator reports the M&R Tax collected from several business locations on a single return.



■ Meals ■ Rooms ■ Motor Vehicle

M&R Tax Revenue 10-Year Trend

Audited Revenue



Rate: 9% (FY2010 – Present)

Factors Influencing Revenue: COVID-19, economic cycle, including unemployment, weather, travel and tourism

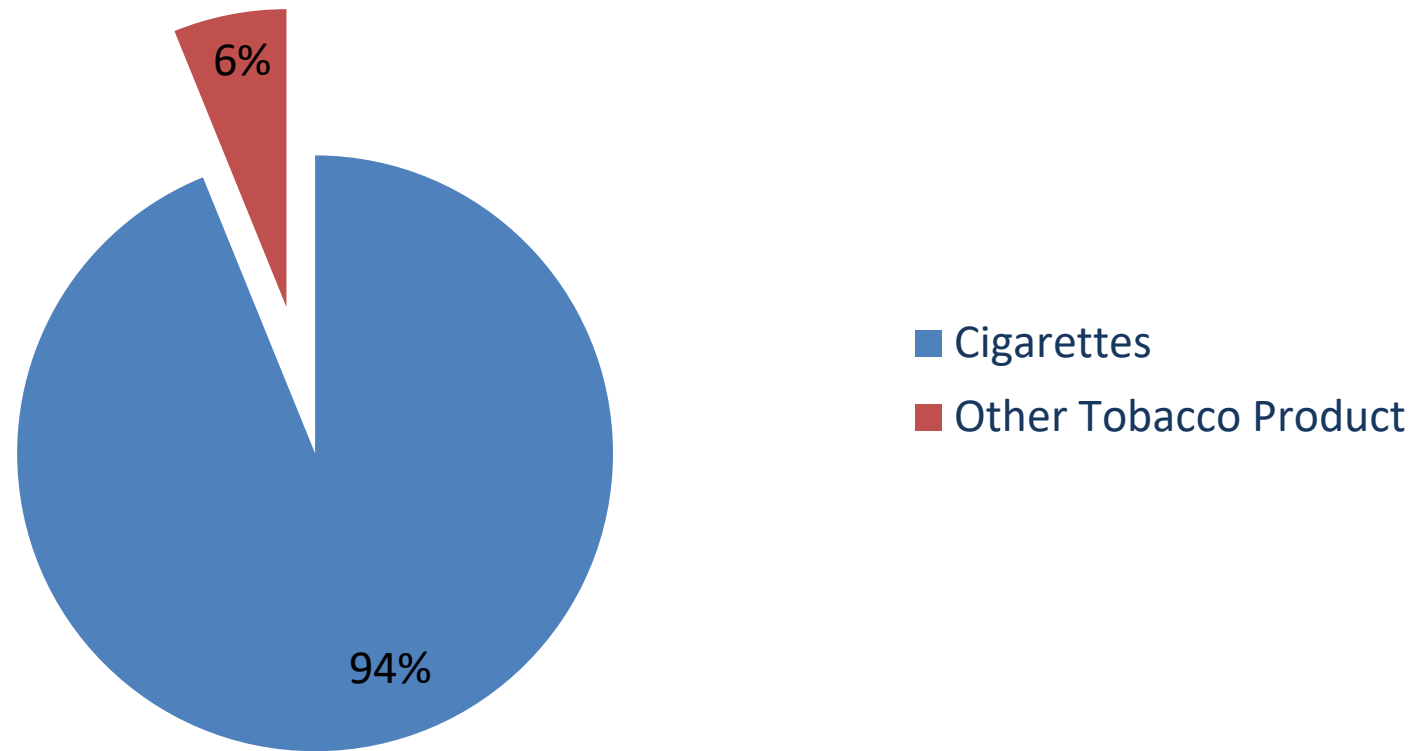
Tobacco Tax

RSA 78

Overview of Tax	When to File/Pay
<ul style="list-style-type: none"> •\$1.78 per pack of 20 cigarettes, \$2.23 per pack of 25 cigarettes and 65.03% of the wholesale sales price for all other tobacco products (OTP) except e-cigarettes •E-cigarette Tax went into effect on January 1, 2020. It is levied on both the closed system and open system and is reported on the OTP return. The closed systems tax rate is \$0.30 per milliliter on the volume of the liquid or other substance containing nicotine in the cartridge or container and the open system is 8% of the wholesales price of the container of liquid or other substance containing nicotine •Premium cigars are exempt from taxation •Tax on tobacco products is a direct tax upon the consumer at retail, but it is pre-collected and paid by the wholesaler •For packages of 20 or 25 cigarettes, payment of tax is evidenced by the wholesaler’s purchase of Tobacco Tax stamps which are affixed to each package 	<ul style="list-style-type: none"> •For cigarettes sold in packages containing quantities other than 20 or 25 not suitable for stamping and for OTP, the wholesaler must report and pay the tax liability on a monthly basis •The return and payment of tax are due on or before the 15th day of the month following the end of the reporting period •Stamps may be purchased on a bond filed with the Department, which allows for payment to be made within 30 days after the days of purchase

Tobacco Tax

For FY 2016 to FY 2020, on average, Tobacco Tax revenues were composed of:



Tobacco Stamp Rates

FY2011

A Stamp Rate = \$2.23

B Stamp Rate = \$1.78

FY2012 – FY2013

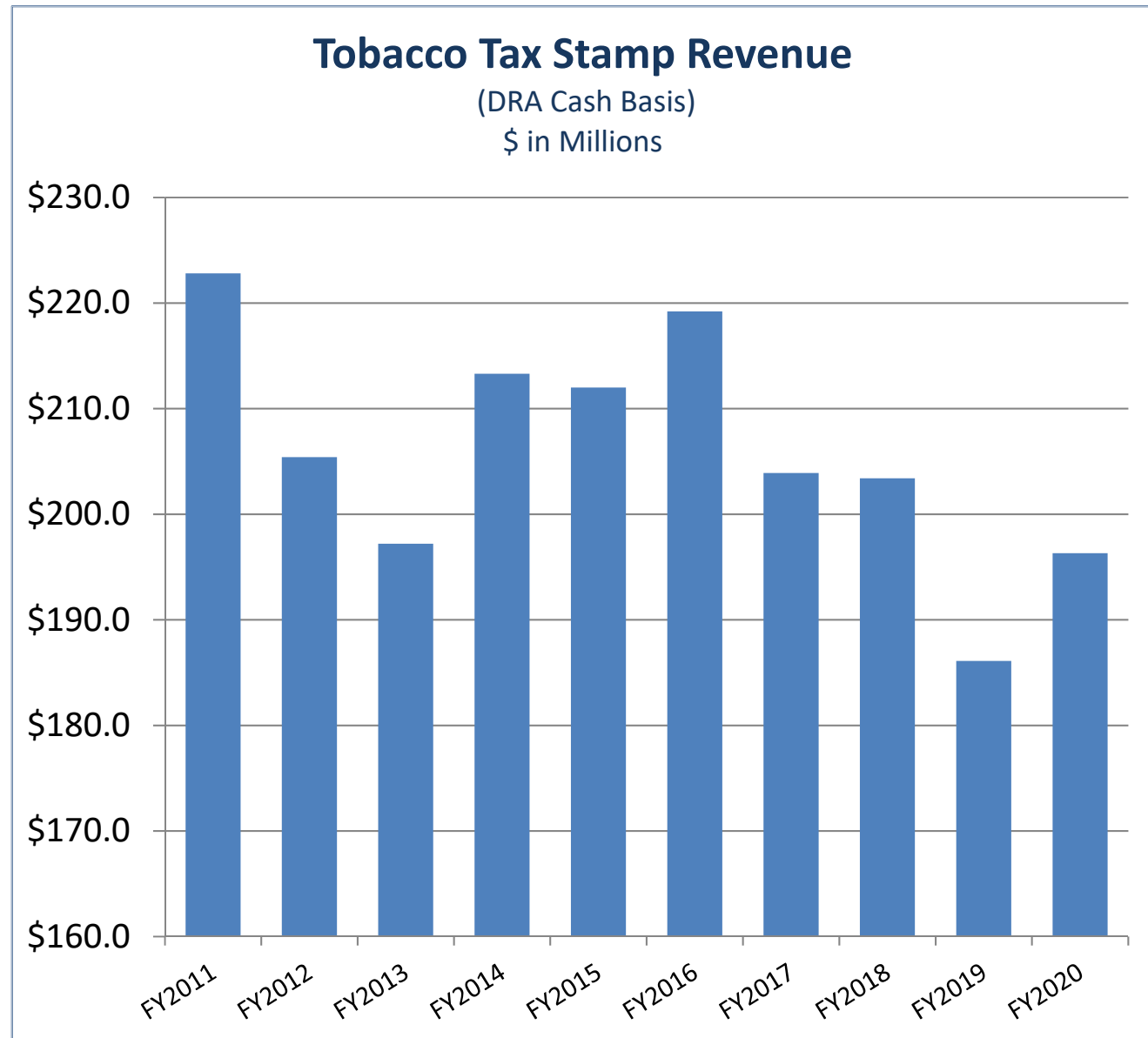
A Stamp Rate = \$2.10

B Stamp Rate = \$1.68

FY2014 – Current

A Stamp Rate = \$2.23

B Stamp Rate = \$1.78



Note: "A" Stamps are affixed to cigarette packs containing 25 cigarettes. "B" Stamps are affixed to cigarette packs containing 20 cigarettes.

OTP Tax Rates (Wholesale Price)

FY2011

65.03%

FY2012

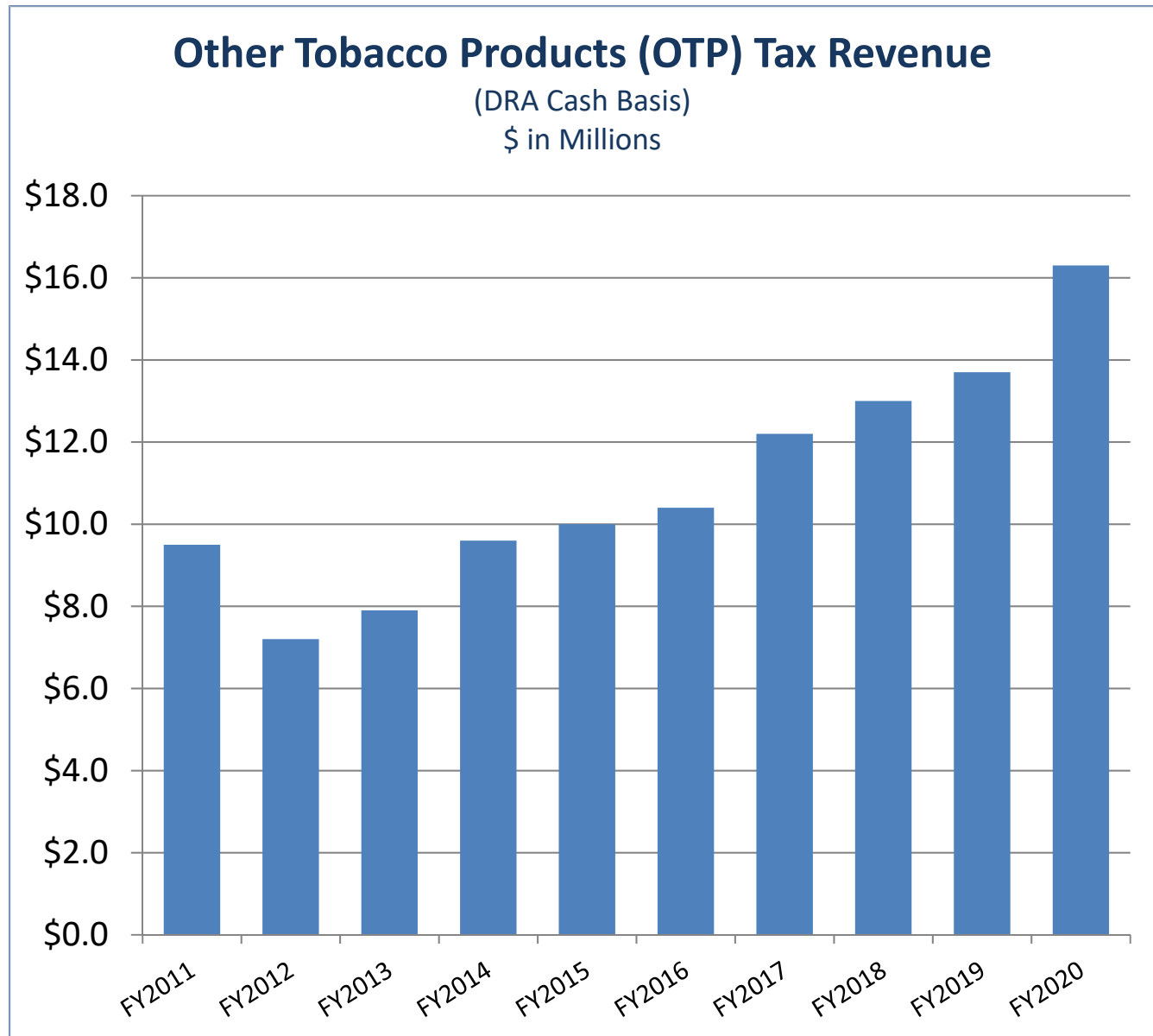
48.00%

FY2013

48.00%

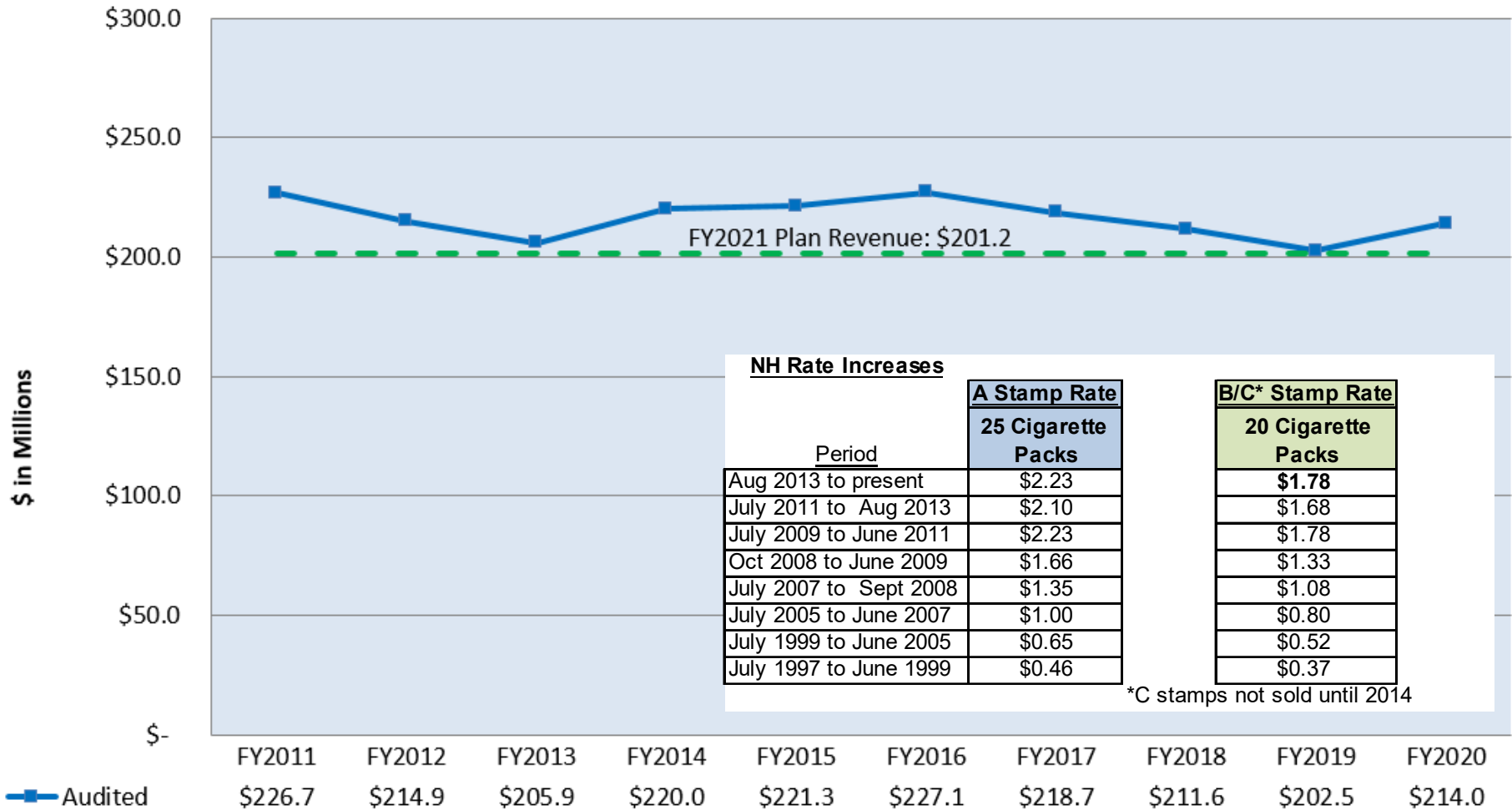
FY2014 – Current

65.03%



Tobacco Tax Revenue 10-Year Trend

Audited Revenue



Other Tobacco Products Rate: 65.03% (FY2011); 48.00% (FY2012 – FY2013); 65.03% (FY2014 – Present)

Factors Influencing Revenue: Cross-border elasticity, e-cigarettes, stamp sale trends, Massachusetts ban on mentholated tobacco products, in effect June 1, 2020

Tobacco Tax Rates by State

STATE	NEARBY STATE COMPARISON		RANKING OF SMUGGLED CIGARETTES CONSUMED AS A PERCENTAGE OF TOTAL CIGARETTES CONSUMED, 2018
	TAX RATE (¢ per pack)		
New York (a)	435	2	1
Connecticut	435	2	7
Rhode Island	425	4	8
Massachusetts	351	5	12
Vermont	308	8	28
New Jersey	270	13	33
Maine	200	18	24
New Hampshire	178	26	47

Source: Compiled by FTA from state sources, as of 1/1/2021

(a) Counties and cities may impose an additional tax on a pack of cigarettes in New York City, \$1.50

Source: Tax Foundation, *Cigarette Taxes and Cigarette Smuggling by State*, 2018 Fiscal Fact No. 733, Nov 2020.

New Hampshire has the lowest cigarette tax rate of its surrounding States, and also has the lowest rate of smuggled cigarettes consumed as a percent of the total consumed within the State (AK, HI and NC were not included in the study by the Tax Foundation).

Real Estate Transfer Tax (RETT)

RSA 78-B

Overview of Tax	When to File/Pay
<ul style="list-style-type: none">•Tax on the sale, granting, and transfer of real property or interest in real property•Tax is imposed on both the buyer and seller at a rate of \$0.75 per \$100 of the price or consideration for the sale granting or transfer•RETT is paid by buying stamps, which are affixed to the deed, from the Register of Deeds in the county where the property is located•Each Register of Deeds retains 4% of the face value of the stamps sold in the county	<ul style="list-style-type: none">•Each buyer and seller must file a Declaration of Consideration and an Inventory of Property Transfer within 30 days•Each Register of Deeds shall remit the taxes collected to the Department on a monthly basis•In Real Estate Holding Company transactions the tax is remitted directly to the Department

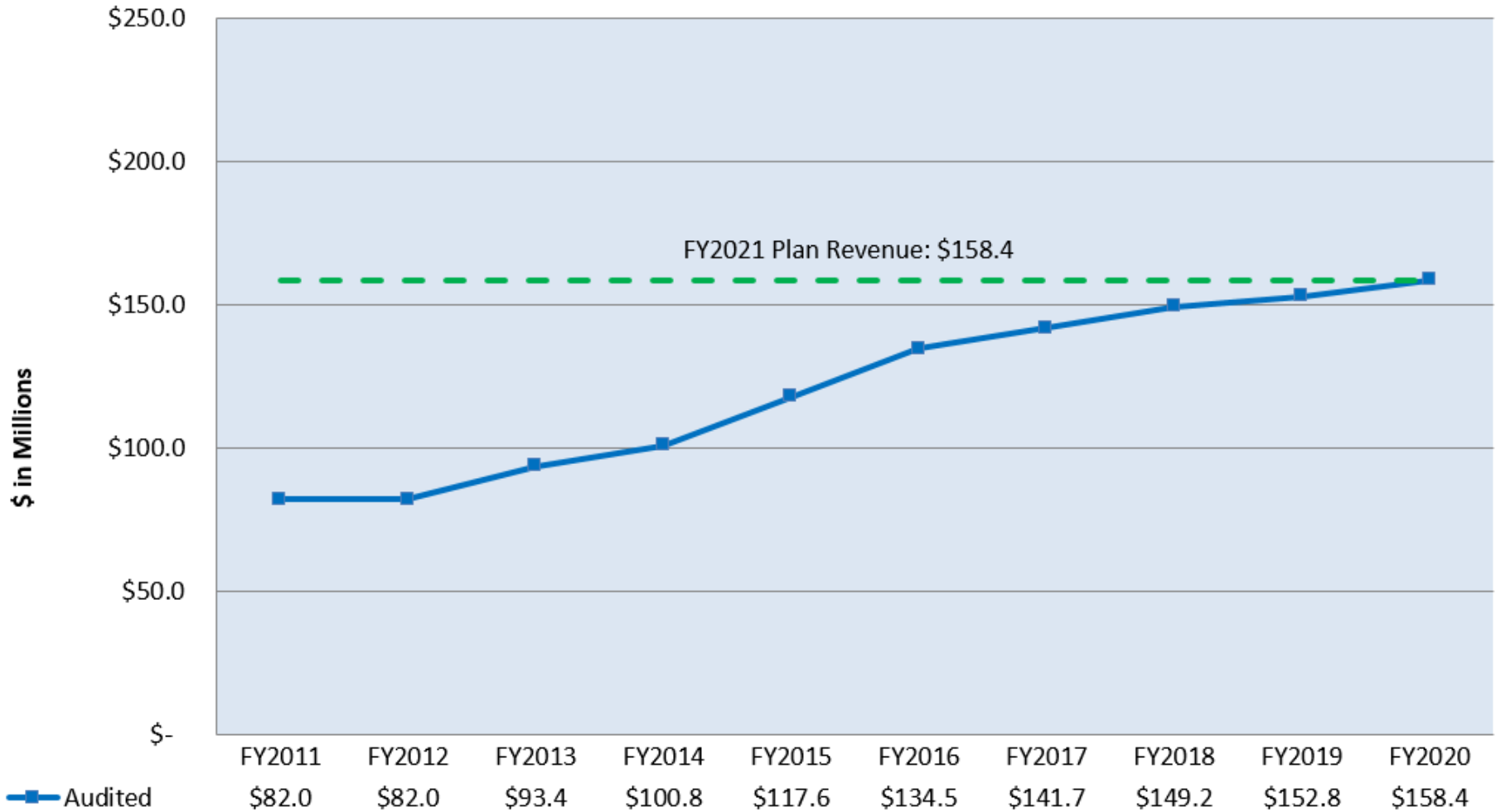
RETT Taxpayers

For FY2020, the average monthly percent of transactions and average monthly percent of total revenue received by county:

<u>County</u>	<u>Transactions</u>	<u>Tax</u>
BELKNAP	7.2%	6.3%
CARROLL	6.9%	6.3%
CHESHIRE	4.8%	3.7%
COOS	3.1%	1.3%
GRAFTON	14.4%	6.4%
HILLSBOROUGH	22.8%	26.6%
MERRIMACK	9.7%	10.1%
ROCKINGHAM	19.8%	28.7%
STRAFFORD	8.0%	8.4%
SULLIVAN	3.2%	2.3%
	100.0%	100.0%

RETT Revenue 10-Year Trend

Audited Revenue



Rate: \$1.50 per \$100 of the price or consideration for the transfer (\$0.75 is the obligation of the purchaser and \$0.75 is the obligation of the seller)

Factors Influencing Revenue: Economic trends and cycles, low interest rates, property values, available inventory, shift from urban areas to rural areas

Interest and Dividends Tax (I&D)

RSA 77

Overview of Tax	When to File/Pay for Calendar Year End
<ul style="list-style-type: none">•5% on interest and dividends income•All New Hampshire residents, fiduciaries, LLCs, partnerships and associations with income from interest and dividends•Threshold of \$2,400 annually (\$4,800 for joint filers) with a \$1,200 exemptions for residents age 65 or older, blind, or disabled before their 65th birthday	<ul style="list-style-type: none">•Returns are due April 15•7-month extensions to file, with payment, are due by the return due date•Estimates equal to 25% of estimated tax liability are due April 15, June 15, September 15 and January 15 (of the subsequent year) if estimated liability exceeds \$500

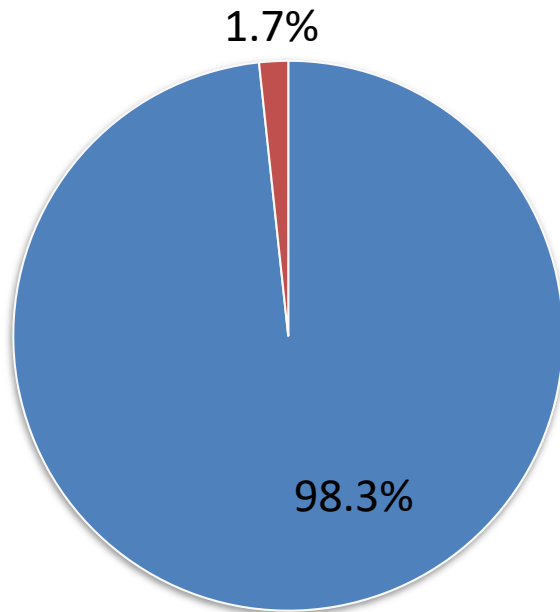
I&D Taxpayers

For Tax Year 2018

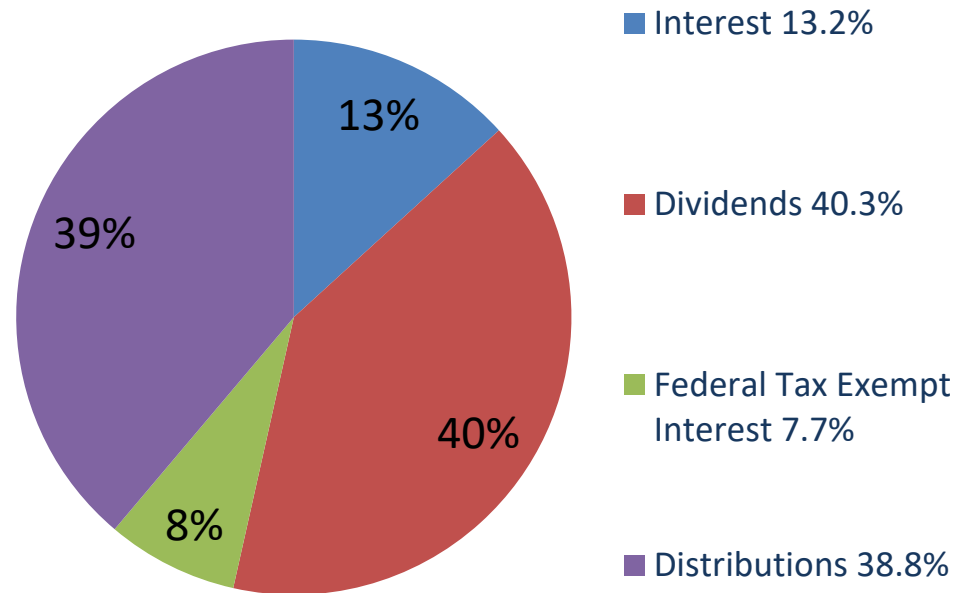
Gross I&D Income From All Data Sources as Reported by Taxpayers

Entities Paying Interest and Dividends Tax

- Individuals & Joint 98.35%
- Partnerships & Estates 1.65%



Interest and Dividends Tax Breakdown



Entities filing I&D Tax Returns are 97.34% Individuals & Joint and 2.66% Partnerships & Estates

Who Pays the I&D Tax?

Interest and Dividends Tax Stats by Tax Year and Amount of Tax Liability

All I&D Entity Types

This Population includes all Individual and Joint filers, Partnerships & Estates

DRAFT as of 8/27/2020

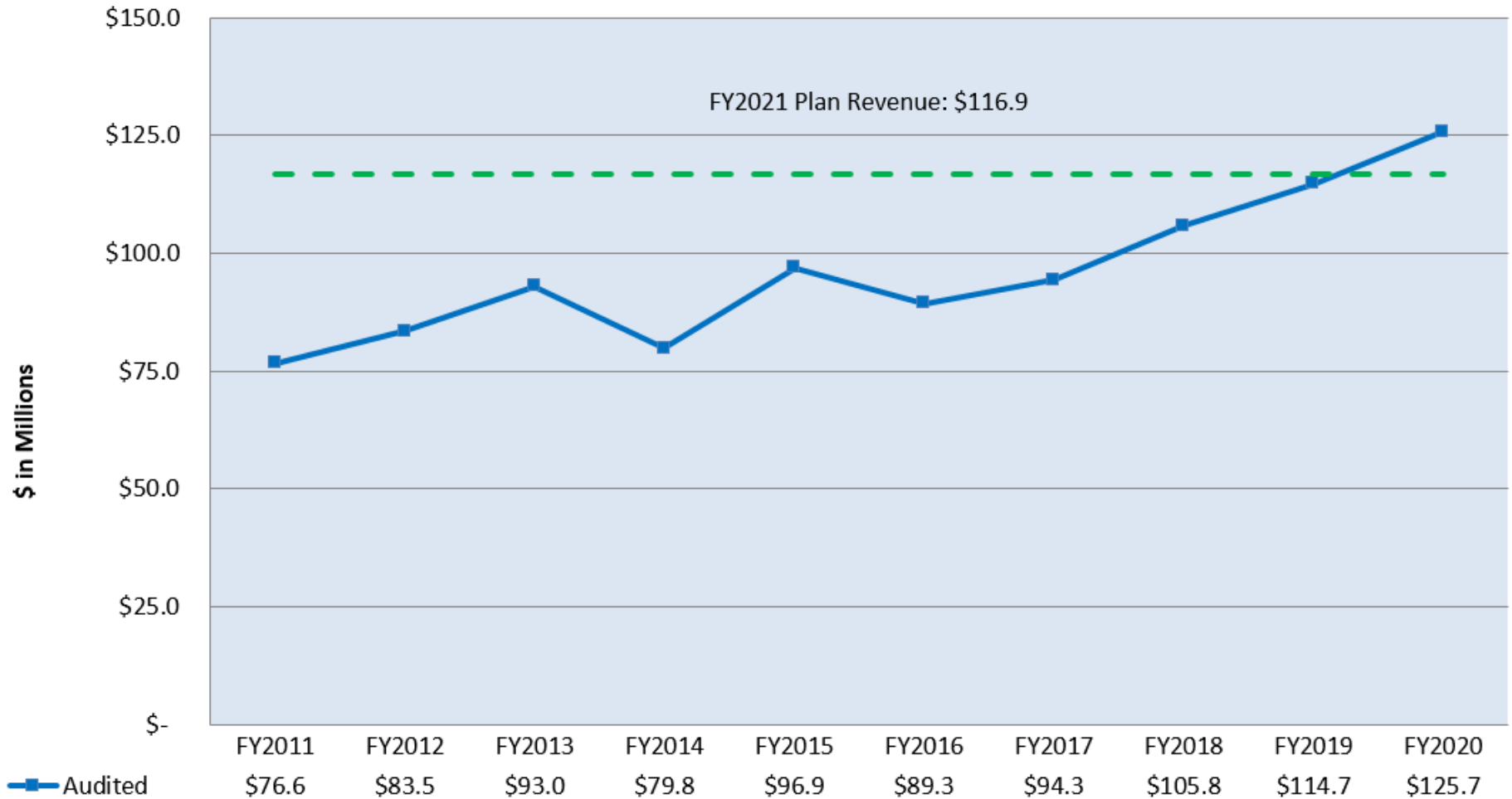
Tax Year 2018 Range in Tax Reported	COUNT	Sum TAX	% of POP	% of Tax Liability by POP
\$0	13,462	\$0	20.3%	0.0%
\$1 - \$500	27,275	\$5,194,825	41.1%	4.9%
\$500 - \$1K	8,927	\$6,414,256	13.5%	6.1%
\$1K - \$10K	15,026	\$42,406,810	22.7%	40.0%
\$10K - \$50K	1,385	\$26,353,843	2.1%	24.9%
\$50K - \$100K	131	\$8,647,140	0.2%	8.2%
\$100K - \$250K	62	\$9,787,261	0.1%	9.2%
>\$250K	16	\$7,084,658	0.0%	6.7%
Totals:	66,284	\$105,888,793	100.0%	100.0%

2018	COUNT	Sum TAX	% of Total POP	% of Total Tax Liability by POP
Individuals and Joint Filers	64,523	\$104,142,873	97.3%	98.4%
Estates	626	\$521,445	0.9%	0.5%
Partnerships	1,135	\$1,224,475	1.7%	1.2%
Totals:	66,284	\$105,888,793	100.0%	100.0%

NOTE: Figures are unaudited and subject to change until all final and amended returns for the Tax Year are filed.

I&D Tax Revenue 10-Year Trend

Audited Revenue



Rate: 5%

Factors Influencing Revenue: Economy, stock market performance, interest rates, federal tax reform, money in the bank

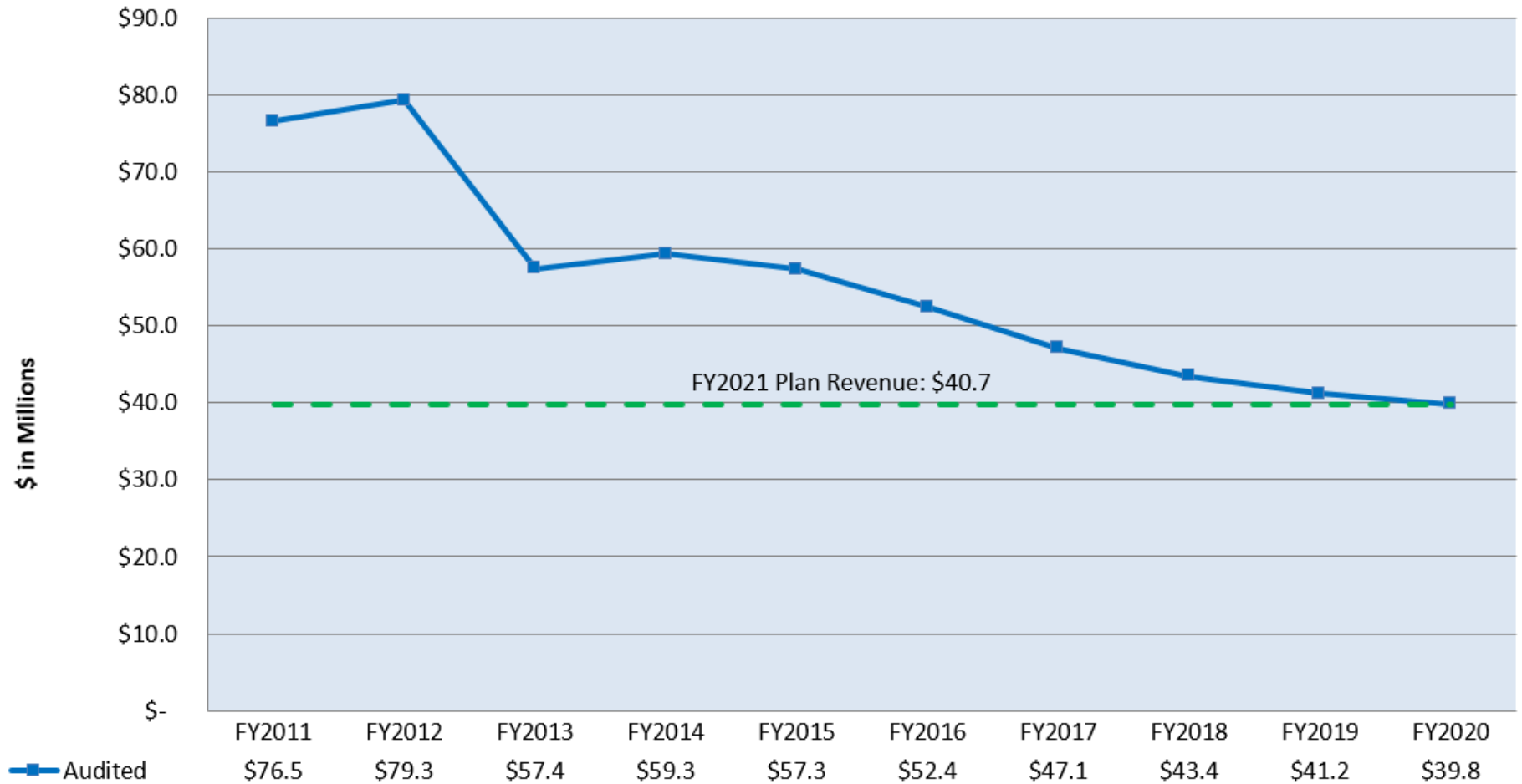
Communications Services Tax (CST)

RSA 82-A

Overview of Tax	When to File/Pay
<ul style="list-style-type: none">•7% on all two-way communications services•Tax is paid by the consumer and collected by two-way communications services providers•All two-way communications services providers are responsible for collecting and remitting the tax from the consumer and filing a return	<ul style="list-style-type: none">•Returns are filed on a monthly basis and are due by the 15th day of the following month•If the liability under \$100 per month, returns are filed quarterly and are due by the 15th day of the month following the quarter•Estimates are required if the tax liability is over \$10,000 per month and the payment equal to 90% of the actual tax collected is due by the 15th day of the month during which the liability is incurred

CST Revenue 10-Year Trend

Audited Revenue



Rate: 7%

Factors Influencing Revenue: 2012 exclusion of charges for internet access, decrease in landlines, modern pricing and purchasing trends for wireless communications, VoIP and video conferencing

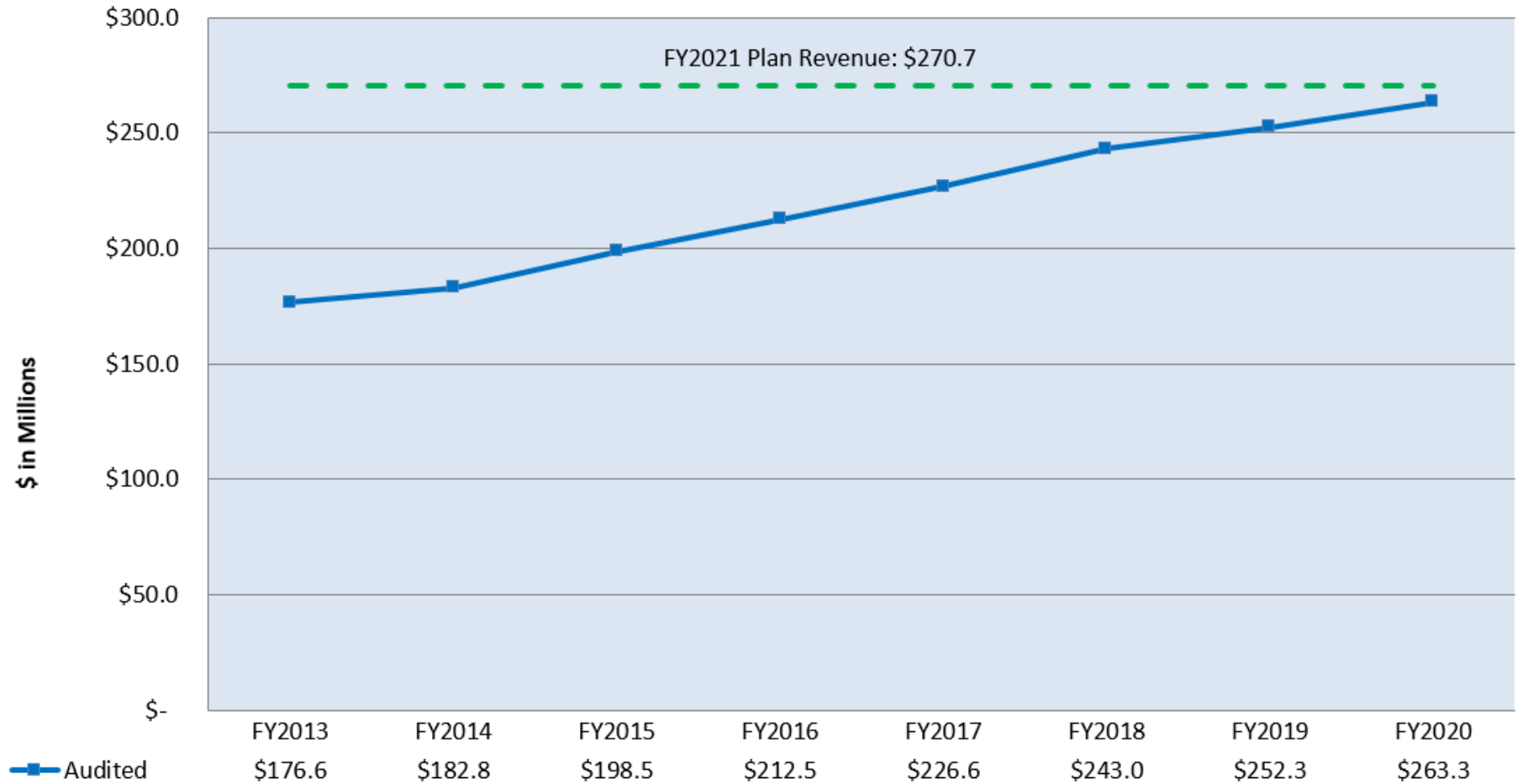
Medicaid Enhancement Tax (MET)

RSA 84-A

Overview of Tax	When to File/Pay
<ul style="list-style-type: none">•5.4% tax upon the “net patient services revenue” of hospitals•Tax is paid by general hospitals that provide inpatient and outpatient hospital services, but not including government facilities•The tax period for MET is a 12-month period beginning July 1 and ending June 30 and the tax due is based upon each hospital’s fiscal year ending during the calendar year in which the taxable period begins	<ul style="list-style-type: none">•Each hospital must file a nonbinding estimate on or before January 15th of its projected tax payment•Each hospital is required to pay 100% of its MET due and payable for the tax period no later than April 15th•Every hospital shall file a return by April 15th in the taxable period

MET Revenue Historical Trend

Cash Basis, net of Refunds



Rate: 5.5% (FY2013), 5.45% (FY2016), 5.4% (FY2017 – Present)

Factors Influencing Revenue: Hospital service utilization

DRA Role In MET Administration

- Hospitals file a non-binding estimate of their projected tax payment on January 15th with DRA. DRA notifies the NH Department of Health and Human Services (DHHS) of the estimated MET payment.
- 100% of the MET owed is due to DRA on or before April 15th. MET revenue is deposited directly into the uncompensated care and Medicaid fund established by RSA 167:64.
- The Commissioner of DHHS is responsible for expending funds in accordance with RSA 167:64 (disproportionate share hospital payments and other Medicaid expenditures).
- DRA is authorized to audit MET returns and collect unpaid MET.

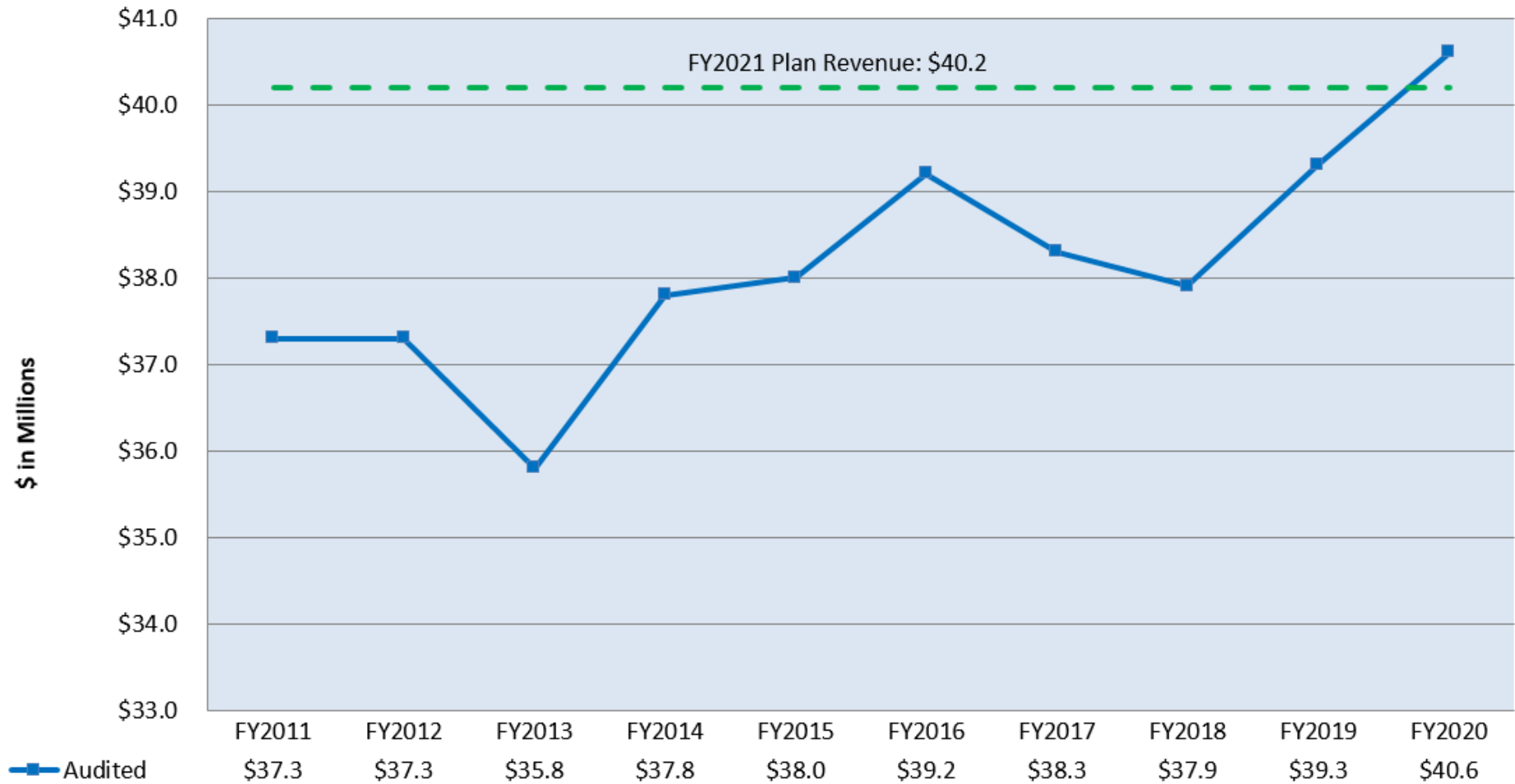
Nursing Facility Quality Assessment (NFQA)

RSA 84-C

Overview of Tax	When to File/Pay
<ul style="list-style-type: none">•5.5% tax upon the “net patient services revenue” on all nursing facilities on the basis of patient days in each facility•The assessment is paid by nursing facilities as well as facilities licensed as a specialty hospital and certified to receive federal reimbursement as a nursing facility•The assessment period for NFQA is a 3-month period beginning July 1, October 1, January 1 and April 1 of each year	<ul style="list-style-type: none">•Every facility shall file a return by the 10th day of the month following the expiration of the assessment period (January 10, April 10, July 10 and October 10)•Each facility is required to pay 100% of its NFQA due and payable for the assessment period no later than the 15th day of the month following the assessment period (January 15, April 15, July 15 and October 15)•No penalty or interest is imposed for failure to make a payment of the assessment due if such payment is made by electronic funds transfer on or before the last day of the month in which payment is due

NFQA Revenue 10-Year Trend

Unaudited Cash



Rate: 5.5%

Factors Influencing Revenue: Nursing home utilization

DRA Role In NFQA Administration

- Nursing facilities file their NFQA return quarterly on the 10th of January, April, July, and October for the prior 3-month “assessment period” with both the DRA and DHHS.
- Nursing facilities pay the NFQA quarterly on the 15th of January, April, July, and October for the prior 3-month “assessment period” by electronic funds transfer.
- NFQA revenue is deposited directly in the Nursing Facility Trust Fund established by RSA 151-E:14.
- The Commissioner of DHHS is responsible for expending funds in accordance with RSA 151-E:15:
 - “The moneys in the fund shall be used to eliminate or reduce to the maximum extent possible the difference between the allowable medicaid costs, derived from the nursing facility medicaid acuity rate setting system, which nursing facilities incur in providing care to medicaid residents, and the amount which the state has budgeted in order to fund that care.”
- DRA is authorized to audit NFQA returns and collect unpaid NFQA.

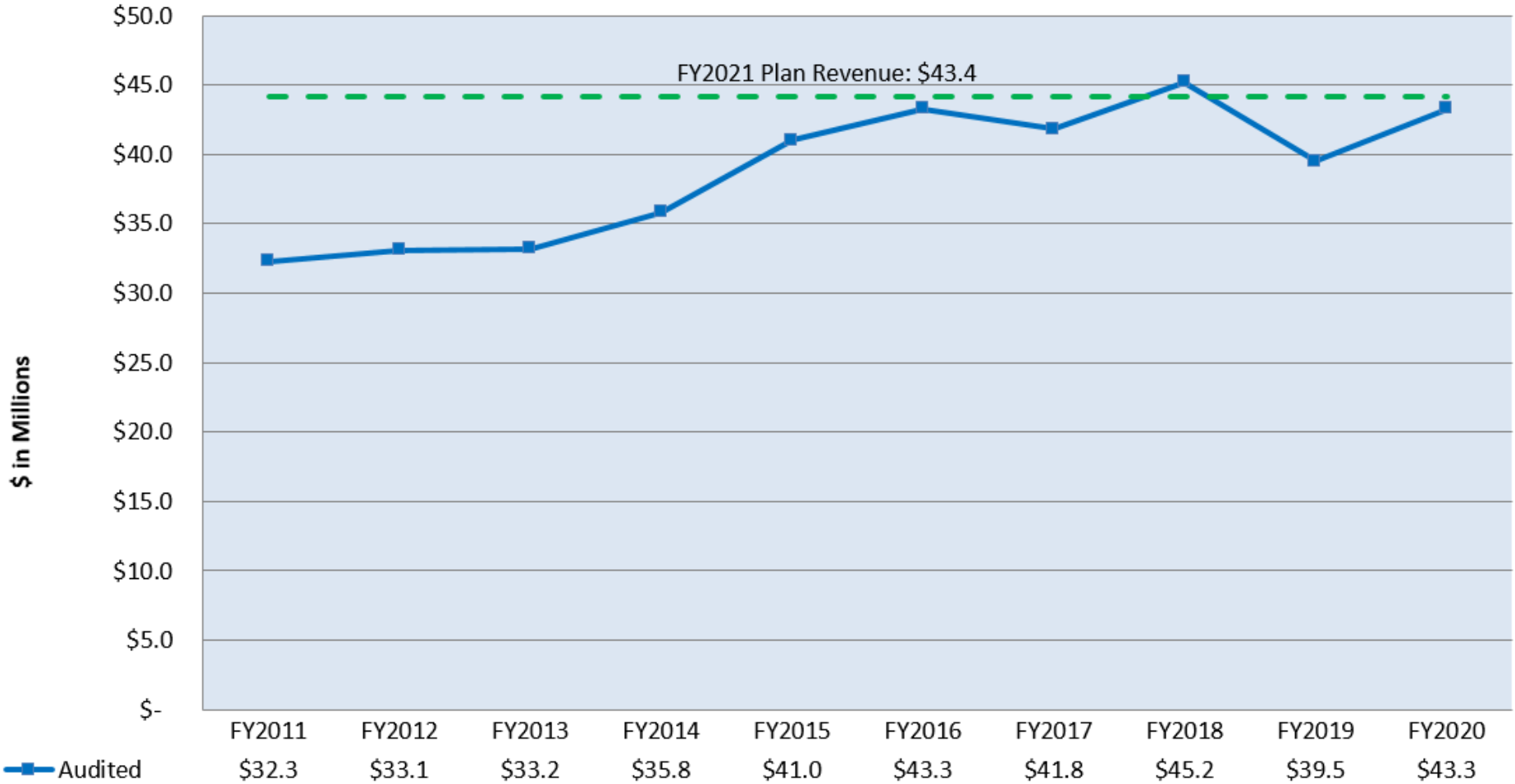
Utility Property Tax (UPT)

RSA 83-F

Overview of Tax	When to File/Pay
<ul style="list-style-type: none">•Tax rate is \$6.60 per \$1,000 of value of utility property as defined by RSA 83-F•Tax is on the value of the utility property as determined by the Department on December 1 of each year for the value as of the previous April 1	<ul style="list-style-type: none">•On or before May 1 of each year the company shall file a form detailing the company's actual financial operating performance since the prior April 1 of the preceding year•Final payment is due on or before January 15•Estimates equal to 25% of estimated tax liability are due April 15, June 15, September 15 and December 15

UPT Revenue 10-Year Trend

Audited Revenue



Rate: \$6.60 per \$1,000 of value

Factors Influencing Revenue: Development of new renewable energy facilities, valuation of utility property, energy pricing (supply and demand)

Railroad Tax

RSA 82

Overview of Tax	When to File/Pay
<ul style="list-style-type: none">•Every railroad, railway, express, and every parlor, sleeping or dining car company, or other company owning any cars operated for profit on any NH railroad•Tax is on the market value of the property's full and true value as of April 1 of each year and is imposed at the average rate of taxation at that time upon other property throughout the State•Property values and average rate of taxation are determined by the Department•Railroad "property" applies to both railroad companies and private rail cars operated for profit on any railroad in NH	<ul style="list-style-type: none">•On or before May 1 of each year the company shall file a form detailing the company's actual financial operating performance since the prior April 1 of the preceding year•Payment is due within 30 days from the date of the Notice of Value and Tax Bill (typically due December 15)•Estimates equal to 25% of estimated tax liability are due April 15, June 15, September 15 and December 15 if estimated liability exceeds \$200•\$306,293 tax revenue collected in FY2020 (unaudited), with \$91,689 distributed to municipalities

Local Property Taxes

RSA 76

Statewide Education Property Tax	Local Property Taxes
<ul style="list-style-type: none">•Tax is assessed and collected by the municipalities to be retained for use by their local school districts•Tax is everyone owning real property in the state•The Department sets the tax rate at a level sufficient to generate revenue of \$363,000,000•The rate shall be set to the nearest ½ cent necessary to generate the revenue required	<ul style="list-style-type: none">•Property taxes, based upon local assessed valuations, are administered and collected by the individual cities and towns•The majority of property taxes collected are based on the market value of the property at its highest and best use•Exemptions, credits and deferrals include the elderly and blind exemptions and deferrals, veterans tax credit, disability exemption, exemption for improvements to assist persons with disabilities and exemption for wind-powered, solar and wood heating energy systems

Excavation (Gravel) Tax

RSA 72-B

Overview of Tax	When to File/Pay
<ul style="list-style-type: none"> •Tax rate is \$0.02 per cubic yard of earth, as defined in RSA 155-E:1, I, excavated, with certain exceptions •Tax is assessed by, and payable to, the local assessing officials •The Department is responsible for administering and enforcing the tax including educating municipal officials, having the authority to check on the volumes indicated on the report of excavated material, reporting violations to local and state officials and entering any lands that may have an excavation 	<ul style="list-style-type: none"> •A Notice of Intent to Excavate, along with a \$100 administration and enforcement fee, must be filed with the Department prior to excavation and at the beginning of each tax year (April 1) for excavation in progress or not yet completed •Owner must report all earth excavated within 30 days of completion, local assessing official must assess the excavation tax within 30 days after receipt of report and owner must pay tax within 30 days after tax bill is mailed by tax collector

Timber Tax

RSA 79

Overview of Tax	When to File/Pay
<ul style="list-style-type: none">•Tax rate is 10 percent of the stumpage value at the time of cutting•Tax is assessed by, and payable to, the local assessing officials•The Department is responsible for administering and enforcing the tax including entering land for which there may be a timber operation, reviewing any records in conjunction with a timber operation, stopping any operation in violation and reporting violations to local authorities	<ul style="list-style-type: none">•A Notice of Intent to Cut must be filed with the municipal assessing officials, with a copy to the owner, logger and Department, at the beginning of each tax year (April 1) or prior to commencing each cutting operation•Owner must report all wood or timber cut within 30 days of completion, local assessing official must assess the tax within 30 days after receipt of report and owner must pay tax within 30 days after tax bill is mailed by tax collector

Timing of DRA Revenues

Business	% of Money	M&R	% of Money	Tobacco	% of Money	I&D	% of Money	RETT	% of Money
July	2.8%	July	9.2%	July	8.0%	July	0.8%	July	10.6%
August	2.1%	August	10.9%	August	10.0%	August	1.4%	August	10.5%
September	17.1%	September	10.8%	September	9.3%	September	14.8%	September	10.5%
October	3.1%	October	9.0%	October	9.2%	October	2.1%	October	9.2%
November	1.9%	November	8.7%	November	8.3%	November	0.7%	November	9.0%
December	15.9%	December	7.1%	December	7.7%	December	4.1%	December	7.8%
January	3.8%	January	7.7%	January	8.2%	January	12.9%	January	8.8%
February	2.1%	February	6.7%	February	6.3%	February	0.8%	February	5.9%
March	12.7%	March	7.0%	March	8.1%	March	4.8%	March	4.8%
April	20.1%	April	7.5%	April	7.3%	April	41.8%	April	6.1%
May	3.1%	May	7.3%	May	8.5%	May	1.6%	May	7.7%
June	15.5%	June	8.3%	June	9.2%	June	14.1%	June	9.2%

Quarterly

Business	% of Money	M&R	% of Money	Tobacco	% of Money	I&D	% of Money	RETT	% of Money
Quarter 1	22%	Quarter 1	31%	Quarter 1	27%	Quarter 1	17%	Quarter 1	31%
Quarter 2	21%	Quarter 2	25%	Quarter 2	25%	Quarter 2	7%	Quarter 2	26%
Quarter 3	19%	Quarter 3	21%	Quarter 3	23%	Quarter 3	19%	Quarter 3	19%
Quarter 4	39%	Quarter 4	23%	Quarter 4	25%	Quarter 4	57%	Quarter 4	23%

Biannually

Business	% of Money	M&R	% of Money	Tobacco	% of Money	I&D	% of Money	RETT	% of Money
1st Half	43%	1st Half	56%	1st Half	52%	1st Half	24%	1st Half	58%
2nd Half	57%	2nd Half	44%	2nd Half	48%	2nd Half	76%	2nd Half	42%

* Average based on FY2017-2019 from DAS Revenue Focus. Adjustments have been made for anomalies and due date changes

Resources

- **Annual Report** – Comprehensive information about the DRA and historical revenue data. Visit the DRA Publications and Presentations – Reports webpage at www.revenue.nh.gov/publications/reports.
- **Transparency Page** – Comprehensive revenue data for the most recent fiscal year as well as 10-year historical data presented in graphic form. Visit the DRA website at www.revenue.nh.gov/transparency.
- **Daily Revenue Updates** – Provided every business day for the second half of each month. Let us know if you would like to be added to the distribution list. Also located on the Transparency webpage above.
- **Tax Expenditure Report** – Annual analysis of tax expenditures. Located on the DRA Publications and Presentations – Reports webpage above.
- **DRA Listserv** – Receive notifications regarding important information from the DRA. Subscribe through the e-News Subscribe button on the DRA's website at www.revenue.nh.gov.

FY 2020 Anomalous Receivable \$30.8m

As part of the State's year-end financial reporting, revenues are converted from a cash basis to an accrual basis. In order to determine the accrual basis revenues, amounts received during the first 60 days of the State's fiscal year where the underlying activity occurred in the prior fiscal year are removed from the current year and added to the prior year. These amounts are referred to as the "60 day receivable" and the process for determining these amounts happens in two phases: the preliminary and the final. These amounts are typically fairly consistent year to year and are consistent between the preliminary and final amounts within a year; however, FY 2020 was different.

First, the amounts for FY2020 for Business Taxes and the Interest and Dividends Tax were more than the prior year due to the federal due date change. The federal due date for personal and business income taxes, due to COVID-19, was extended from April 15th to July 15th, whereas the state due date was extended from April 15th to June 15th. However, many taxpayers filed their NH state return consistent with the July 15th federal due date even though NH had only extended the due date to June 15th.

FY 2020 Anomalous Receivable \$30.8m

Second, the amounts for the final 60 day receivable were more than the preliminary 60 day receivable in some instances as a result of incomplete revenue data for the month of July at the time the preliminary amounts were due to DAS. These two factors resulted in approximately \$30.8m in additional revenue received in July and August, which should have been attributable to FY 2020. These anomalous receivable amounts can also be found in the DAS Monthly Revenue Focus and are included in the Revenues received FYTD and are also included in our Revenue estimate ranges.

	Anomalous Accrual
Business Taxes	\$18.3
Meals and Rentals Tax	\$1.6
Tobacco Tax	\$1.3
Interest and Dividends Tax	\$9.2
Communications Services Tax	\$0.2
Real Estate Transfer Tax	\$0.2
Utility Property Tax	\$0.0
Total DRA Taxes	\$30.8

FY 2021 Revenue Estimate Summary

DRA Taxes - FY 2021 Revenue Estimate Ranges

	FY 2020		FY 2021						
	Preliminary Accrual	Anomalous Accrual	Plan	DRA Low	DRA High	Low vs. Plan	% change	High vs. Plan	% change
Business Taxes	\$681.5	\$18.3	\$786.0	\$818.1	\$842.5	\$32.1	4%	\$56.5	7%
Meals and Rentals Tax	\$313.8	\$1.6	\$386.9	\$296.3	\$314.1	-\$90.6	-23%	-\$72.8	-19%
Tobacco Tax	\$212.6	\$1.3	\$201.2	\$244.5	\$255.5	\$43.3	22%	\$54.3	27%
Interest and Dividends Tax	\$116.5	\$9.2	\$116.9	\$132.8	\$137.0	\$15.9	14%	\$20.1	17%
Communications Services Tax	\$39.6	\$0.2	\$39.8	\$38.6	\$38.6	-\$1.2	-3%	-\$1.2	-3%
Real Estate Transfer Tax	\$158.3	\$0.2	\$158.4	\$187.7	\$194.1	\$29.3	18%	\$35.7	23%
Utility Property Tax	\$43.3	\$0.0	\$44.2	\$43.1	\$43.1	-\$1.1	-2%	-\$1.1	-2%
Total DRA Taxes	\$1,565.6	\$30.8	\$1,733.4	\$1,761.1	\$1,824.9	\$27.7	2%	\$91.5	5%

* Revenues are net of School Building Aid, L-Chip and Affordable Housing Fund Transfers

Transfers	FY 2021
School Building Aid	\$8.3
L-Chip (historical % of total RETT)	3%
Affordable Housing Fund	\$5.0

FY 2022 and FY 2023 Revenue Estimate Summary

DRA Taxes – FY 2022 and FY 2023 Revenue Estimate Ranges

	FY 2021 Anomalous Receivable	FY 2021 DRA Low with Anomalous Receivable Removed	FY 2021 DRA High with Anomalous Receivable Removed		DRA FY 2022 Growth Low Range	DRA FY 2022 Estimate High Range		DRA FY 2023 Growth Low Range	DRA FY 2023 Estimate High Range
Business Taxes	\$18.3	\$799.8	\$824.2		1%	3%		4%	6%
Meals and Rentals Tax	\$1.6	\$294.7	\$312.5		8%	11%		4%	6%
Tobacco Tax	\$1.3	\$243.2	\$254.2		-3%	0%		-4%	-1%
Interest and Dividends Tax	\$9.2	\$123.6	\$127.8		4%	6%		1%	3%
Communications Services Tax	\$0.2	\$38.4	\$38.4		0%	0%		0%	0%
Real Estate Transfer Tax	\$0.2	\$187.5	\$193.9		-7%	-5%		-8%	-6%
Utility Property Tax	\$0.0	\$43.1	\$43.1		0%	0%		0%	0%
Total DRA Taxes	\$30.8	\$1,730.2	\$1,794.1						

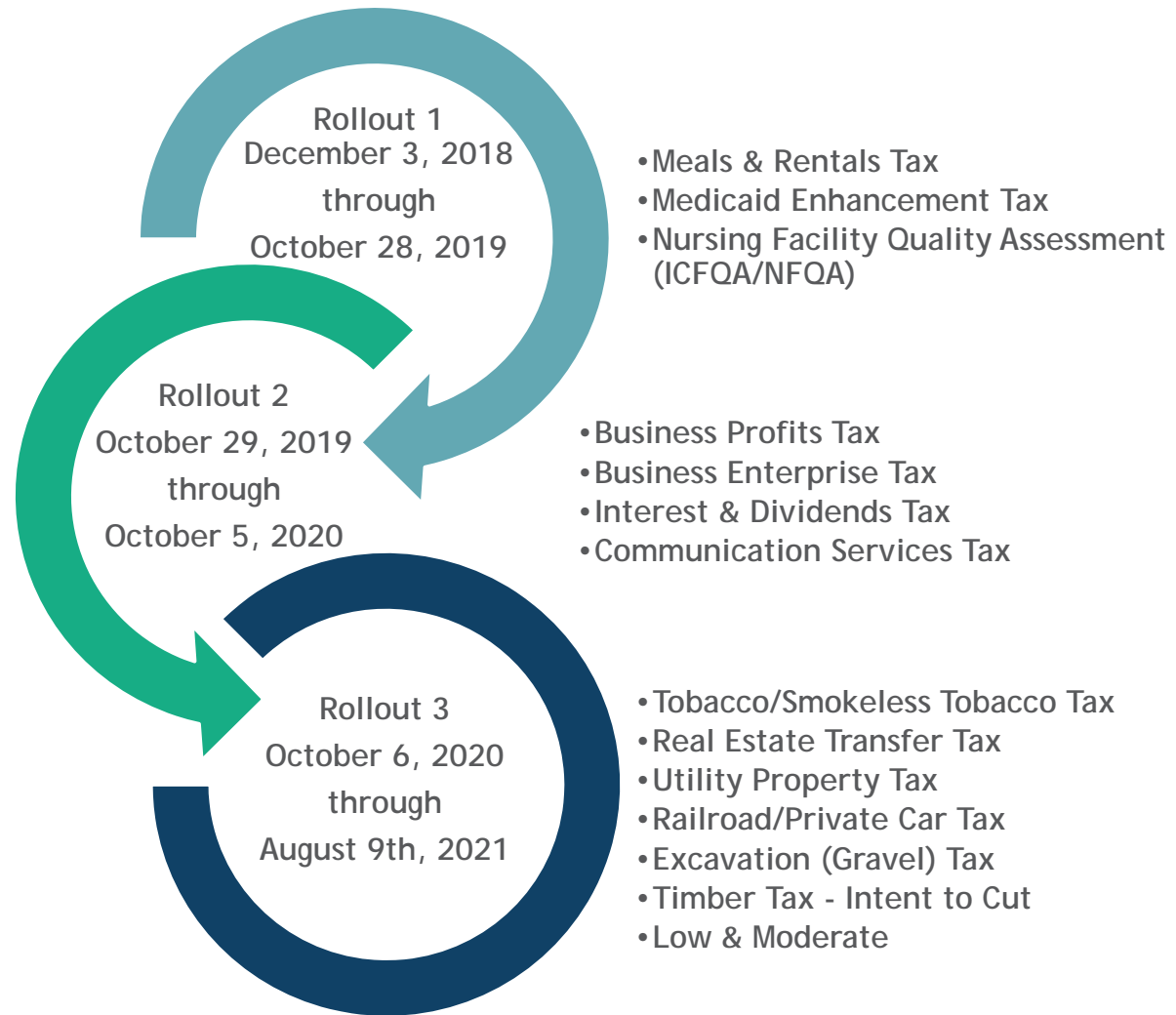
* Revenues are net of School Building Aid, L-Chip and Affordable Housing Fund Transfers


Transfers	FY 2021	FY 2022	FY 2023
School Building Aid	\$8.3	\$8.0	\$7.0
L-Chip (historical % of total RETT)	3%	3%	3%
Affordable Housing Fund	\$5.0	\$5.0	\$5.0

Revenue Information Management System (RIMS)

- ▶ The DRA received a \$30,160,000 capital appropriation through general funds and other funds to replace the DRA's Tax Information Management System (TIMS).
- ▶ TIMS, which was implemented in 1990, is obsolete and limited in its functionality, impacting the reliability, usefulness, and security of taxpayer data.
- ▶ RIMS will be used by taxpayers, practitioners, and DRA staff.
- ▶ RIMS will be implemented by DRA, in partnership with DoIT, and will be a complete backend technology system, housing and consolidating all taxpayer data.
- ▶ FAST Enterprises LLC was selected through a request for proposal process to implement and support their commercial off-the-shelf software, GenTax for tax administration.
- ▶ Implementation will consist of three phases, each taking about a year, and the contract will also include support and maintenance of the system for four years after implementation.
- ▶ Total cost for the seven year contract is \$29,550,000.


Three Rollouts









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 <p>License Lookup Find an active Meals and Rentals account</p> <ul style="list-style-type: none"> > Meals and Rentals Tax License Lookup 	 <p>Certification Request Request a Statement of Good Standing, Certificate of Dissolution, or Statement for Withdrawal</p> <ul style="list-style-type: none"> > Submit a Certification Request 	 <p>Tax Fraud Anonymously report Tax Fraud to DRA</p> <ul style="list-style-type: none"> > Submit a Tax Fraud Report

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