

Department of Revenue Administration

Revised Revenue Estimates

The Department of Revenue Administration (DRA) has developed revised FY18 revenue estimates as well as growth rates for FY19 and FY20 for the following taxes: Business Profits Tax (BPT), Business Enterprise Tax (BET), Meals and Rentals Tax, Tobacco Tax, Communications Services Tax, Real Estate Transfer Tax, and Utility Property Tax. These are estimates based on currently available data (through April 2018) and DRA experience, and are subject to change.

Terms	Description
Plan	State of NH FY18 Revenue Plan for the General & Education Trust Funds combined (Plan includes FY18 surplus statement adjustments)
FY19 CofC	Committee of Conference (CofC) revenue estimates published on 6/16/17 without the inclusion of surplus statement adjustments
FY19 Growth	Committee of Conference revenue estimates for FY18 compared to Committee of Conference revenue estimates for FY19 without the inclusion of surplus statement adjustments for FY18 or FY19

House Ways & Means Committee May 8, 2018

Estimate Scenarios	Description
Actual w/ Plan	Actual revenue from the first ten months of FY18 with Plan revenue for the last two months of FY18
Actual w/ Prior Year	Actual revenue from the first ten months of FY18 with actual prior year revenue for the last two months of FY17
Sustaining % Versus Plan	Actual revenue from the first ten months of FY18 plus sustaining % versus plan for the last two months of FY18
Year-Over-Year Growth	Actual revenue from the first ten months of FY18 plus % over prior year to date applied to the last two months of FY17

FY19 Committee of Conference Surplus Statement Items

Below are adjustments from the FY19 CofC Surplus Statement. These items are in addition to the FY19 CofC Revenue Estimates.

FY19 Surplus Statement Adjustments to the General Fund	
<i>\$ in Millions</i>	
Revenue from Auditor positions: (various tax types)	\$3.1
Business Profits Tax/Business Enterprise Tax Rate Reductions:	(\$11.0)
Section 179 Deduction increase to \$500k:	(\$9.7)
Repeal of the Electricity Consumption Tax:	(\$3.0)

Meals & Rentals Tax

- **DRA Revised FY18 estimates:**
 - Estimate: Year-Over-Year Growth and Actual with Plan

- **Factors to consider:**
 - YTD 0.2% ahead of Plan
 - YTD 5.5% ahead of prior year
 - Historically 5%+ year-over-year growth

Summary of Estimates

	A	B	C	D	E	F	G	H
1		FY18		FY18	FY19		FY19	FY20
2	<i>\$ in Millions</i>	Plan	FYTD	DRA Revised Estimate	CofC Estimate	CofC Y-O-Y Growth	DRA Growth Ranges	DRA Growth Ranges
3	Meals & Rentals Tax¹	\$329.8	\$278.6	\$330.3	\$346.2	5.0%	5.0% to 5.5%	5.0% to 5.5%

¹ Meals and Rentals Tax estimate is net of School Building Debt Aid.

Tobacco Tax

- **DRA Revised FY18 estimates:**
 - Estimate: Year-Over-Year Growth and Sustaining % Versus Plan

- **Factors to consider:**
 - FYTD 0.6% below Plan
 - FYTD 0.3% below prior year
 - Cross border elasticity
 - Downward trend of stamps sales nationally

Summary of Estimates

	A	B	C	D	F	G	H	I
1		FY18		FY18	FY19		FY19	FY20
2	<i>\$ in Millions</i>	Plan	FYTD	DRA Revised Estimate	CofC Estimate	CofC Y-O-Y Growth	DRA Growth Ranges	DRA Growth Ranges
3	Tobacco Tax	\$215.0	\$176.2	\$214.0	\$214.5	-0.2%	-0.5% to 0.0%	-0.5% to 0.0%

Interest & Dividends Tax

- **DRA Revised FY18 estimates:**
 - *Estimate: Sustaining % Versus Plan with an adjustment for anomalous payments*

- **Factors to consider:**
 - *FYTD 13.0% ahead of Plan*
 - *FYTD 16.3% ahead of prior year*
 - *Historical Year-Over-Year swings*
 - *Interest rates*
 - *Possible increased dividends paid due to federal tax reform*

Summary of Estimates

	A	B	C	D	F	G	H	I
1		FY18		FY18	FY19		FY19	FY20
2	<i>\$ in Millions</i>	Plan	FYTD	DRA Revised Estimate	CofC Estimate	CofC Y-O-Y Growth	DRA Growth Ranges	DRA Growth Ranges
3	Interest & Dividends Tax	\$96.0	\$91.4	\$107.0	\$98.0	2.1%	2.0% to 10.0%	0.0% to 10.0%

Communications Services Tax

- **DRA Revised FY18 estimates:**
 - Estimate: Sustaining % Versus Plan

- **Factors to consider:**
 - FYTD 1.1% below Plan
 - FYTD 8.8% below prior year
 - Taxability of internet access
 - Decrease in landlines
 - Modern purchasing trends in wireless communications

Summary of Estimates

	A	B	C	D	F	G	H	I
1		FY18		FY18	FY19		FY19	FY20
2	<i>\$ in Millions</i>	Plan	FYTD	DRA Revised Estimate	CofC Estimate	CofC Y-O-Y Growth	DRA Growth Range	DRA Growth Range
3	Communications Services Tax	\$44.0	\$36.5	\$43.5	\$40.7	-7.5%	-9.0%	-9.0%

Real Estate Transfer Tax

- **DRA Revised FY18 estimates:**
 - Estimate: Year-Over-Year Growth
- **Factors to consider:**
 - YTD 5.9% below Plan
 - YTD 1.1% ahead of prior year
 - Driven by available housing
 - Transaction counts are up 3.0% FYTD compared to prior year
 - Transaction values are up 0.6% FYTD compared to prior year

Summary of Estimates

	A	B	C	D	F	G	H	I
1		FY18		FY18	FY19		FY19	FY20
2	<i>\$ in Millions</i>	Plan	FYTD	DRA Revised Estimate	CofC Estimate	CofC Y-O-Y Growth	DRA Growth Ranges	DRA Growth Ranges
3	Real Estate Transfer Tax²	\$154.9	\$122.2	\$144.0	\$164.2	6.0%	0.0% to 5.0%	0.0% to 5.0%

² Real Estate Transfer Tax estimate is net of L-Chip,

Utility Property Tax

- **DRA Revised FY18 estimates:**
 - *Estimate: Year-Over-Year Growth and Actual w/Plan*
- **Factors to consider:**
 - *FYTD 1.8% ahead of plan*
 - *FYTD 7.9% ahead of prior year*
 - *Factors that can affect the growth:*
 - Valuation appeals
 - Some property may decline in value due to changes in economic conditions
 - New taxable property may be constructed
 - Expansion of exemptions for net metering could have an impact on the revenue
 - Controversy around valuation

Summary of Estimates

	A	B	C	D	F	G	H	I
1		FY18		FY18	FY19		FY19	FY20
2	<i>\$ in Millions</i>	Plan	FYTD	DRA Revised Estimate	CofC Estimate	CofC Y-O-Y Growth	DRA Growth Range	DRA Growth Range
3	Utility Property Tax	\$42.9	\$34.1	\$43.6	\$43.4	1.2%	1.5%	1.5%

DRA Revised Estimated Revenues

	A	B	C	D	E	F	G	H
1	FY18		FY18	FY19	FY19	FY20		
2	<i>\$ in Millions</i>	Plan	FYTD	<i>DRA Revised Estimate</i>	CofC Estimate	CofC Y-O-Y Growth	<i>DRA Growth Range</i>	<i>DRA Growth Range</i>
3	Meals & Rentals Tax³	\$329.8	\$278.6	\$330.3	\$346.2	5.0%	5.0% to 5.5%	5.0% to 5.5%
4	Tobacco Tax	\$215.0	\$176.2	\$214.0	\$214.5	-0.2%	-0.5% to 0.0%	-0.5% to 0.0%
5	Interest & Dividends Tax	\$96.0	\$91.4	\$107.0	\$98.0	2.1%	2.0% to 10.0%	0.0% to 10.0%
6	Communications Services Tax	\$44.0	\$36.5	\$43.5	\$40.7	-7.5%	-9.0%	-9.0%
7	Real Estate Transfer Tax⁴	\$154.9	\$122.2	\$144.0	\$164.2	6.0%	0.0% to 5.0%	0.0% to 5.0%
8	Electricity Consumption Tax	\$6.0	\$4.9	\$6.0	\$6.0	0.0%	-50.0%	-100.0%
9	Utility Property Tax	\$42.9	\$34.1	\$43.6	\$43.4	1.2%	1.5%	1.5%

³ Meals & Rentals Tax estimate is net of School Building Debt Aid.

⁴ Real Estate Transfer Tax estimate is net of L-Chip.

Business Taxes BPT & BET: Split 60% BPT 40% BET

- **Factors to consider:**

- FYTD 16.9% ahead of Plan
- FYTD 20.6% ahead of prior year
- Large increase in Corporate extension and estimated payments
- Anomalies due to federal tax reform, which could drop off in the next biennium, hard to predict
- Anomalies due to economic conditions i.e. Capital gains, Mergers and Acquisitions, could drop off based on economic conditions
- Estimated Base is based on CofC year-over-year growth rate and proprietorship year-over-year growth rate

Summary of Estimates

Fiscal Year 2018

	Based on CofC Y-O-Y Growth		DRA Estimate		Explanation
	Low	High	Low	High	
Estimated Base	\$650.5	\$650.5	\$658.2	\$658.2	Estimated Base range is based on CofC y-o-y predicted growth of 1.8%, while DRA has a predicted growth of 3% based on growth in proprietorships.
One Time Anomalies	\$78.1	\$97.6	\$79.0	\$98.7	One Time Anomalies range from 12% to 15% based on results DRA has seen FYTD.
Total	\$728.6	\$748.1	\$737.2	\$756.9	Adds the Estimated Base range to the One Time Anomalies Range to calculate an estimated FY18 range.

House Ways & Means Committee May 8, 2018

Fiscal Year 2019

	Based on CofC Y-O-Y Growth		DRA Estimate		Explanation
	Low	High	Low	High	
Estimated Base	\$660.3	\$660.3	\$677.9	\$677.9	Estimated Base range is based on CofC y-o-y predicted growth of 1.5%, while DRA has a predicted growth of 3% based on growth in proprietorships.
One Time Anomalies	\$33.0	\$85.8	\$33.9	\$88.1	One Time Anomalies range from 5% to 13% due to federal tax reform and economic growth. Presumes that some portion of FY18 anomalies will repeat in FY19.
Total	\$693.3	\$746.1	\$711.8	\$766.0	Adds the Estimated Base range to the One Time Anomalies Range to calculate an estimated FY19 range.

Fiscal Year 2020

	Based on CofC Y-O-Y Growth		DRA Estimate		Explanation
	Low	High	Low	High	
Estimated Base	\$670.2	\$670.2	\$698.3	\$698.3	Assumed same FY19 estimated base range for CofC for FY20 of 1.5%, while DRA has a predicted growth of 3% based on growth in proprietorships.
One Time Anomalies	\$0.0	\$13.4	\$0.0	\$14.0	One Time Anomalies range from 0% to 2% based on the expected diminishment of anomalies due to federal tax reform and economic growth.
Total	\$670.2	\$683.6	\$698.3	\$712.2	Adds the Estimated Base range to the One Time Anomalies Range to calculate an estimated FY20 range.