

# New Hampshire Department of Revenue Administration



## Overview of New Hampshire Taxes

House Ways & Means Committee

January 13, 2015



# 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.



# DRA Administers 16 Taxes ~ \$1.9B Revenue

| <u>Tax Type</u>                     | <u>Tax Rate</u>                              | <u>Statute</u> |
|-------------------------------------|--|----------------|
| Business Enterprise Tax             | 0.75%  | RSA 77-E       |
| Business Profits Tax                | 8.5%   | RSA 77-A       |
| Communications Services Tax         | 7.0%   | RSA 82-A       |
| Electricity Consumption Tax         | \$0.00055/kilowatt hour                      | RSA 83-E       |
| ICF Quality Assessment              | 5.5%   | RSA 84-D       |
| Interest and Dividends Tax          | 5.0%   | RSA 77         |
| Meals and Rooms Tax                 | 9.0%   | RSA 78-A       |
| Medicaid Enhancement Tax            | 5.5%*  | RSA 84-A       |
| Nursing Facility Quality Assessment | 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                        | 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        |

\*Rate reduced to 5.45% for taxable period ending 6/30/16; 5.4% for taxable period ending 6/30/17; and 5.4% for taxable periods ending 6/30/18 and beyond *unless* the total aggregate uncompensated care for hospitals with both a critical and noncritical designation falls below \$375,000,000, at which point the tax rate is reduced to 5.25%. (Chp. 158, Laws of 2014)

# Tax Revenue - Fiscal Year 2014 (Audited)

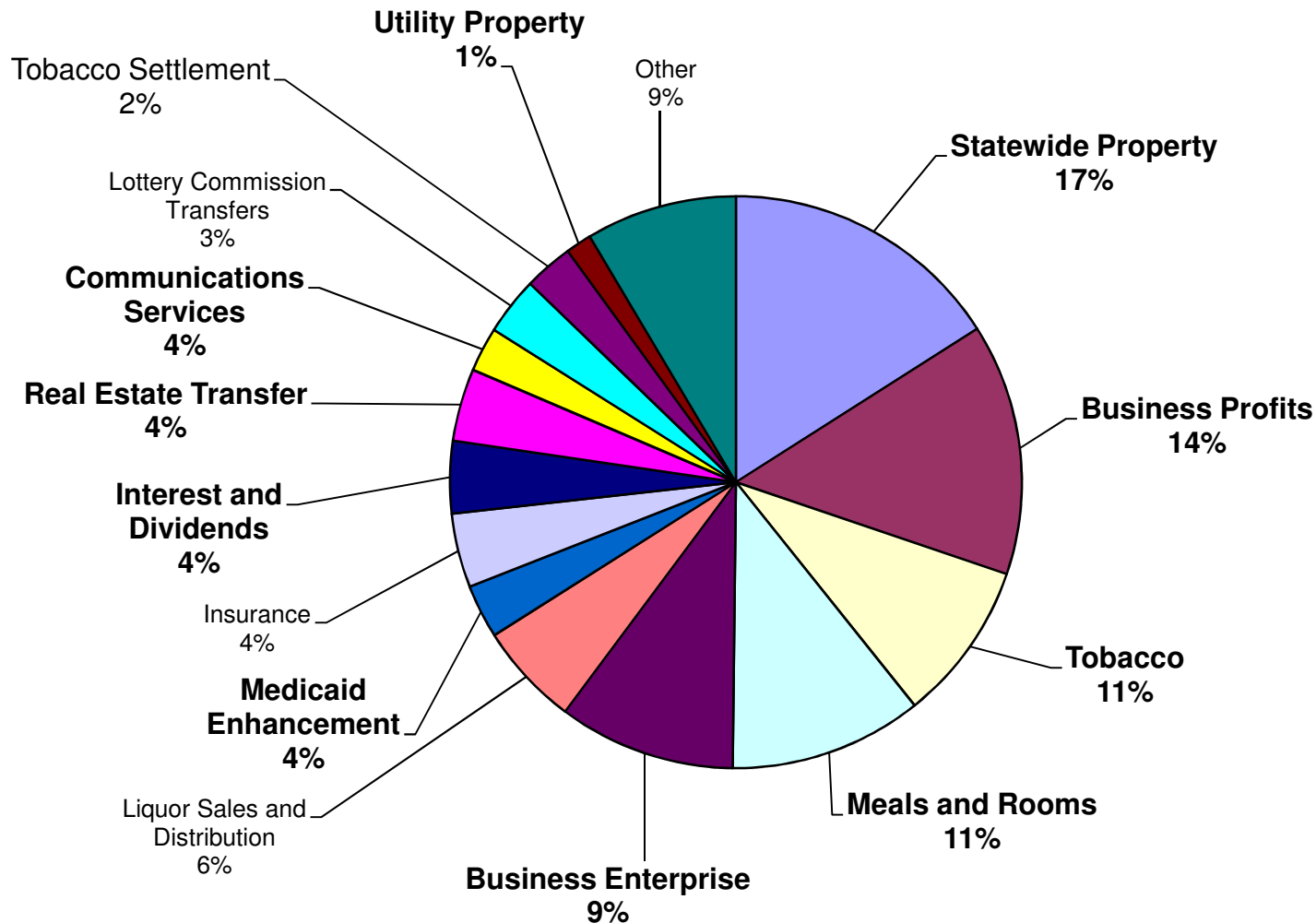
| <u>Tax Type</u>                     | <u>Tax Revenue</u>               |
|-------------------------------------|----------------------------------|
| Business Enterprise Tax             | \$219.5M                         |
| Business Profits Tax                | \$330.1M                         |
| Communications Services Tax         | \$59.3M                          |
| Electricity Consumption Tax         | \$6.1M                           |
| ICF Quality Assessment              | \$(<5 taxpayers – incl. in NFQA) |
| Interest and Dividends Tax          | \$79.8M                          |
| Meals and Rooms Tax                 | \$261.7M                         |
| Medicaid Enhancement Tax            | *\$183.1M                        |
| Nursing Facility Quality Assessment | *\$37.7M                         |
| Tobacco Tax                         | \$220.0M                         |
| Taxation of Railroads               | *\$0.3M                          |
| Utility Property Tax                | \$35.8M                          |
| Real Estate Transfer Tax            | \$100.8M                         |
| Property Tax (local)                | \$363.6M                         |
| <b>TOTAL</b>                        | <b>\$1.9B</b>                    |

\*DRA FY 2014 Cash Basis

# Share of Unrestricted Revenues

General and Education Funds – Source FY2014 (Audited)

*Note: DRA's statutory responsibilities represent over 80% of NH State General and Education Trust Fund Revenue (\$1.9B out of \$2.2B)*



# Business Profits Tax (BPT)

## RSA 77-A

| Overview of Tax  | When to File/Pay for Calendar Year End   |
|--|--|
| <ul style="list-style-type: none"><li>•8.5% of taxable business profits</li><li>•Every enterprise organized for gain or profit carrying on any business activity within the state</li><li>•Gross business income in excess of \$50,000 from all activities</li></ul> | <ul style="list-style-type: none"><li>•Corporate and combined returns are due March 15</li><li>•Proprietorship, partnership and fiduciary returns are due April 15</li><li>•7-month extensions to file, with payment, are due by the return due date</li><li>•Estimates equal to 25% of estimated tax liability are due April 15, June 15, September 15 and December 15 if estimated liability exceeds \$200</li></ul> |

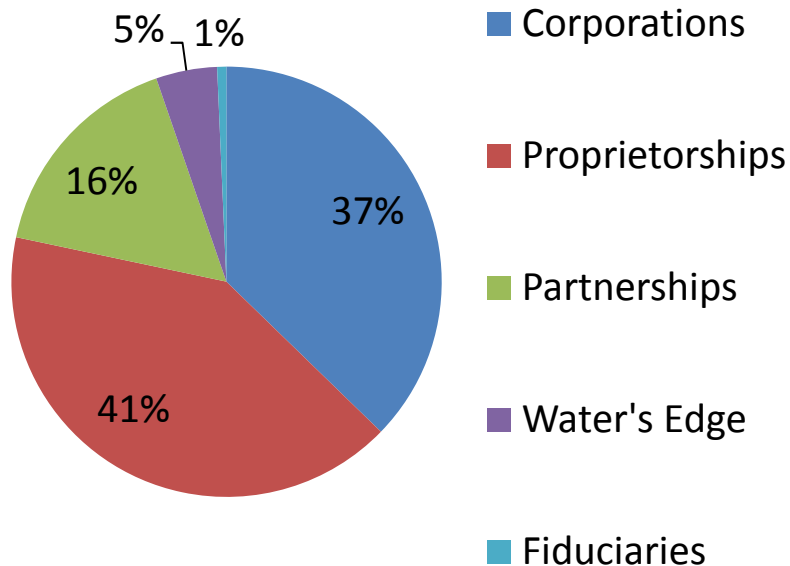
# BPT Taxpayers

For Tax Year 2011 and Tax Year 2012

on average **1.1% of filers pay 76% of BPT**

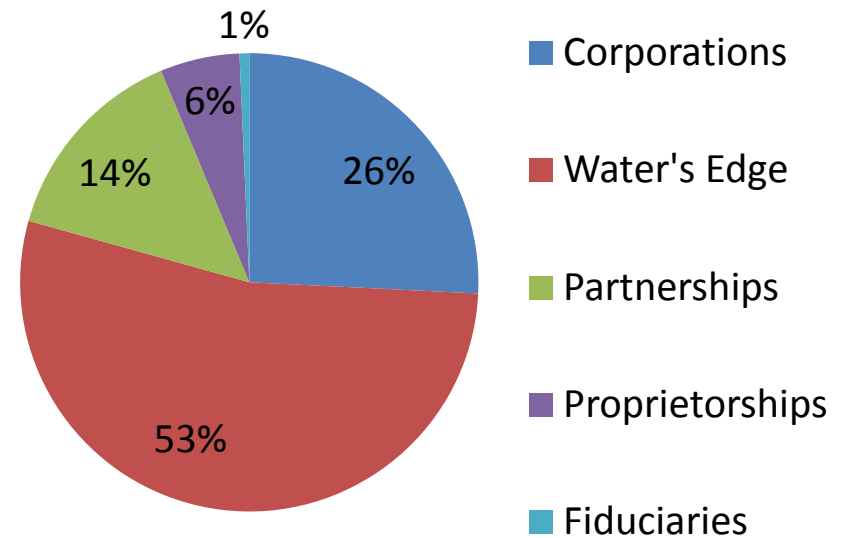
## Entities Filing BPT Tax Returns

Percentage as a whole



## Entities Paying BPT Tax

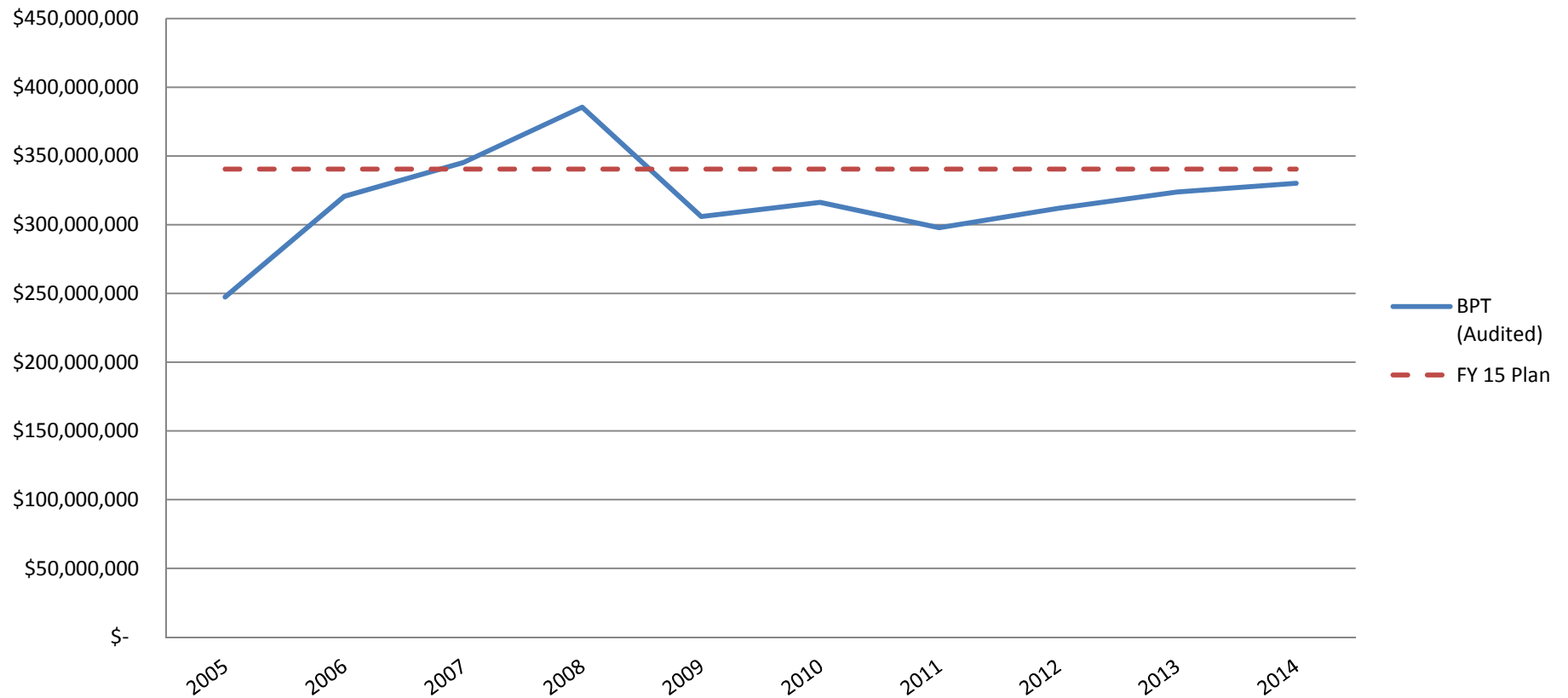
Percentage as a whole





# BPT Revenues

## 10 Year History



### Factors Influencing Revenue:

- Economic cycle
- Credits
- Statutory changes (NOLs, burden of proof, expense deductions, etc.)

# Business Enterprise Tax (BET)

## RSA 77-E

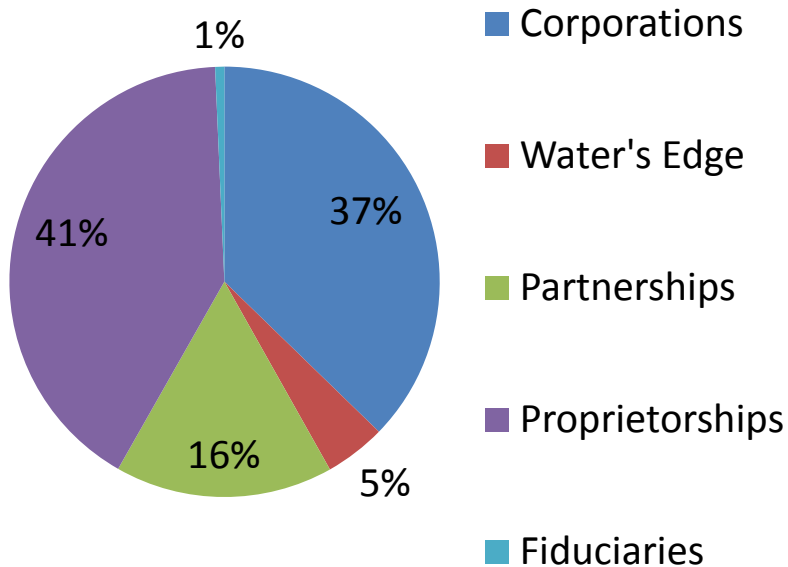
| Overview of Tax   | When to File/Pay for Calendar Year End   |
|---|--|
| <ul style="list-style-type: none"><li>•0.75% of the Enterprise Value Tax Base (dividends, compensation and interest)</li><li>•Every profit or non-profit enterprise or organization with any business activity inside NH (except 501(c)(3) organizations)</li><li>•Gross business receipts in excess of \$200,000* or Enterprise Value Tax Base greater than \$100,000*<br/><small>*\$207,000 GBR or \$103,000 EVTB for taxable periods ending on or after 12/31/15. (RSA 77-E: 5,I, DRA adjusts thresholds based on CPI every 2 years)</small></li><li>•Credit for BET paid against Business Profits Tax due</li><li>•Carry forward unused credit for 10 years</li></ul> | <ul style="list-style-type: none"><li>•Corporate returns are due March 15</li><li>•Proprietorship, partnership and fiduciary returns are due April 15</li><li>•Non-profit returns are due May 15</li><li>•7-month extensions to file, with payment, are due by the return due date</li><li>•Estimates equal to 25% of estimated tax liability are due April 15, June 15, September 15 and December 15 if estimated liability exceeds \$260</li></ul> |

# BET Taxpayers

For Tax Year 2011 and Tax Year 2012  
on average **1.2% of filers pay 48% of BET**

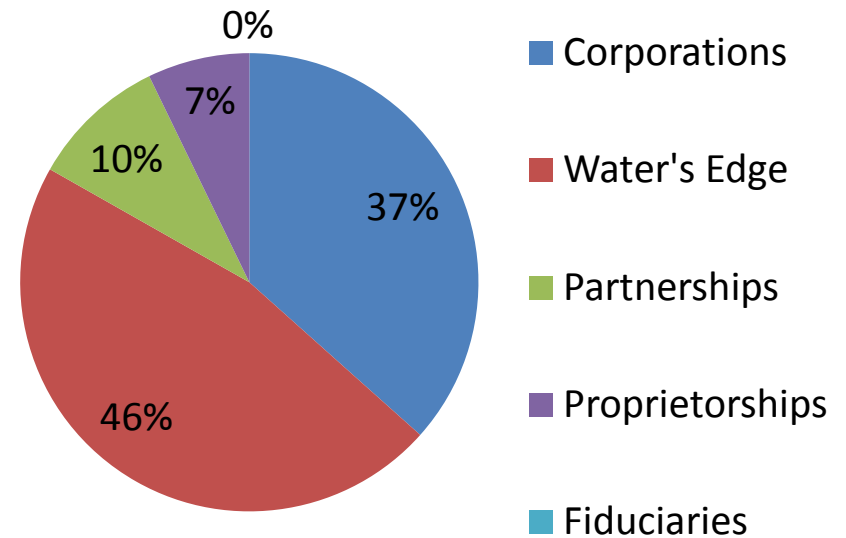
## Entities Filing BET Tax Returns

Percentage as a whole



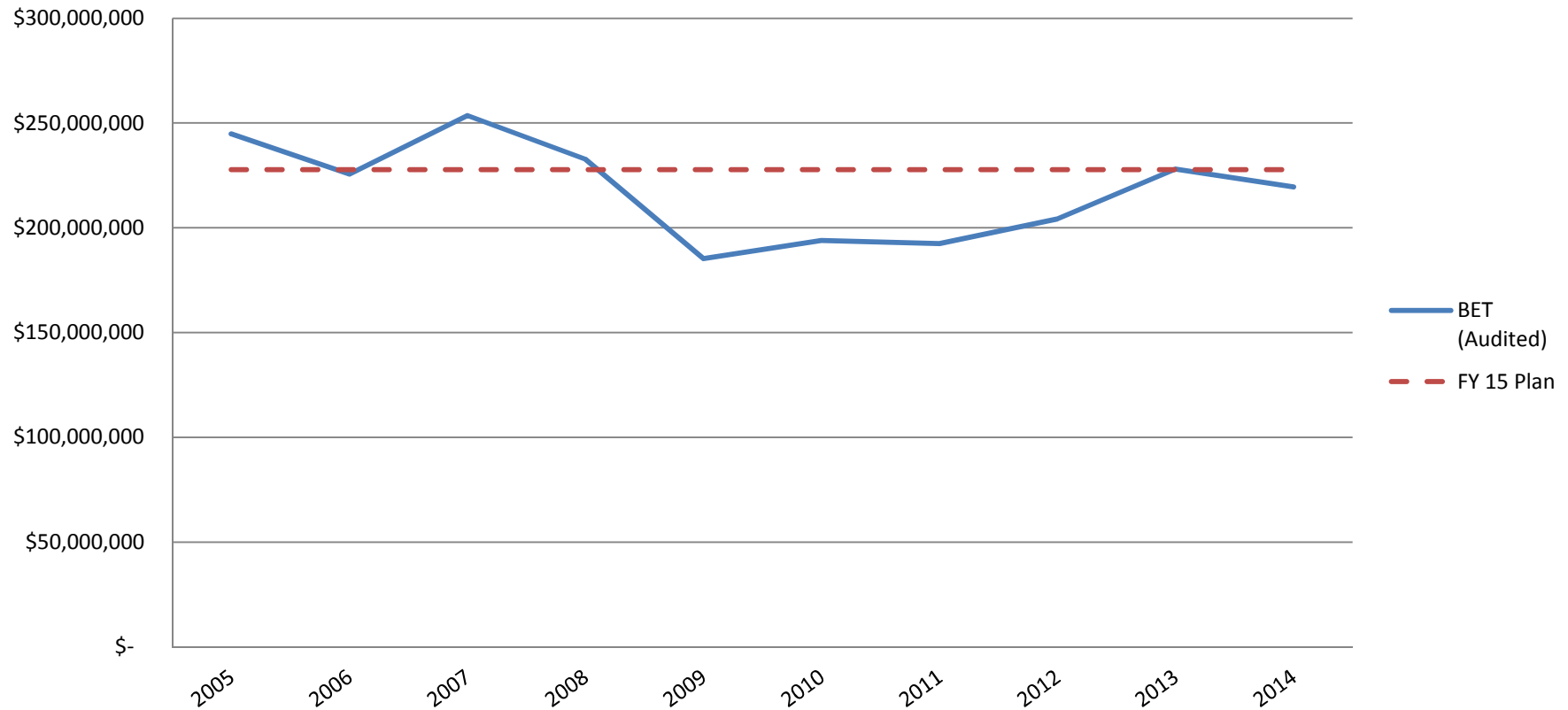
## Entities Paying BET Tax

Percentage as a whole



# BET Revenues

## 10 Year History

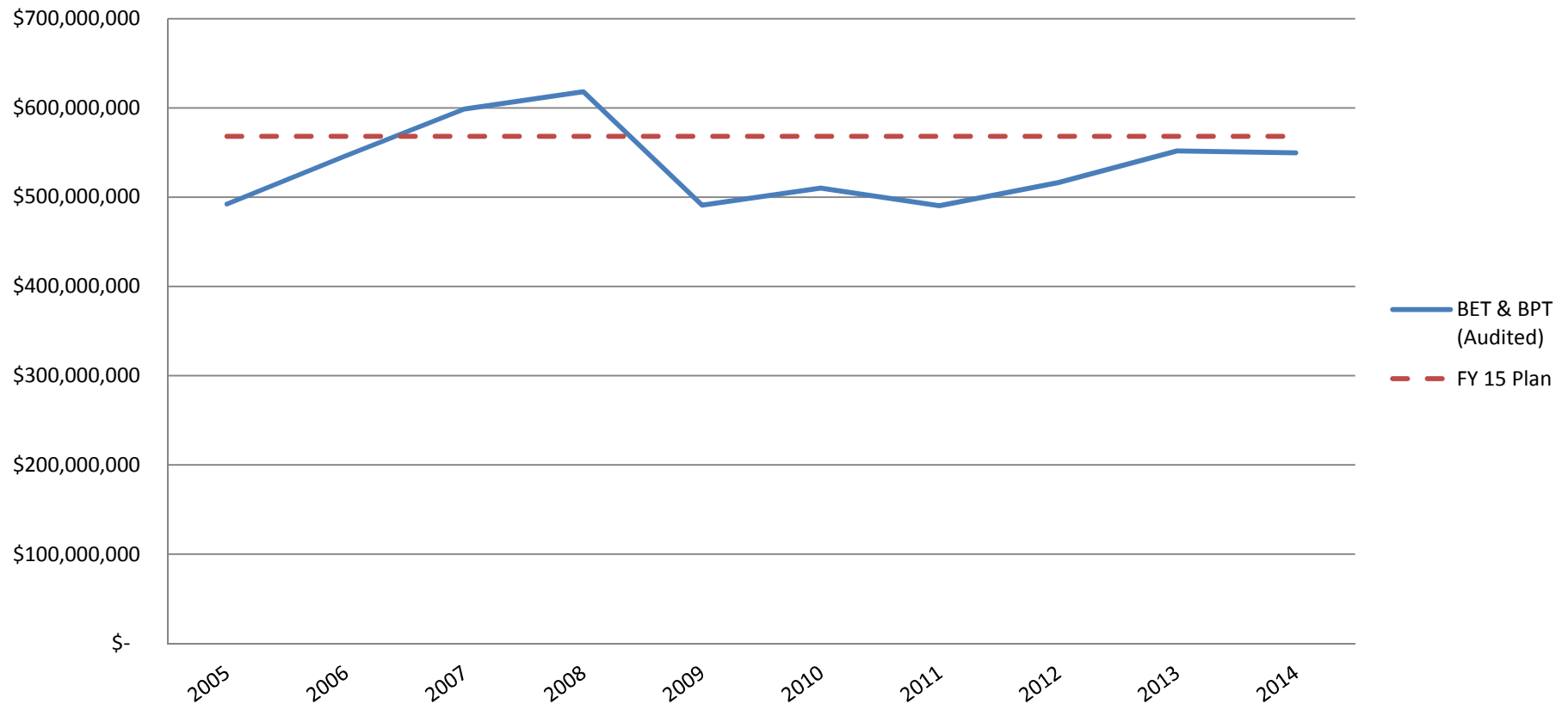


### Factors Influencing Revenue:

- Employment levels and wages
- Credits
- Statutory Changes (thresholds)

# BET and BPT Revenues

## 10 Year History



### Factors Influencing Revenue:

- Economic cycle
- Credits
- Statutory changes (NOLs, thresholds, expense deductions, etc.)
- Employment levels and wages

# BET and BPT Revenues

## Timing of Revenues

| Month     | % of Total |
|-----------|------------|
| July      | 3%         |
| August    | 2%         |
| September | 16%        |
| October   | 5%         |
| November  | 1%         |
| December  | 16%        |
| January   | 3%         |
| February  | 2%         |
| March     | 17%        |
| April     | 15%        |
| May       | 2%         |
| June      | 16%        |
|           | 100%       |

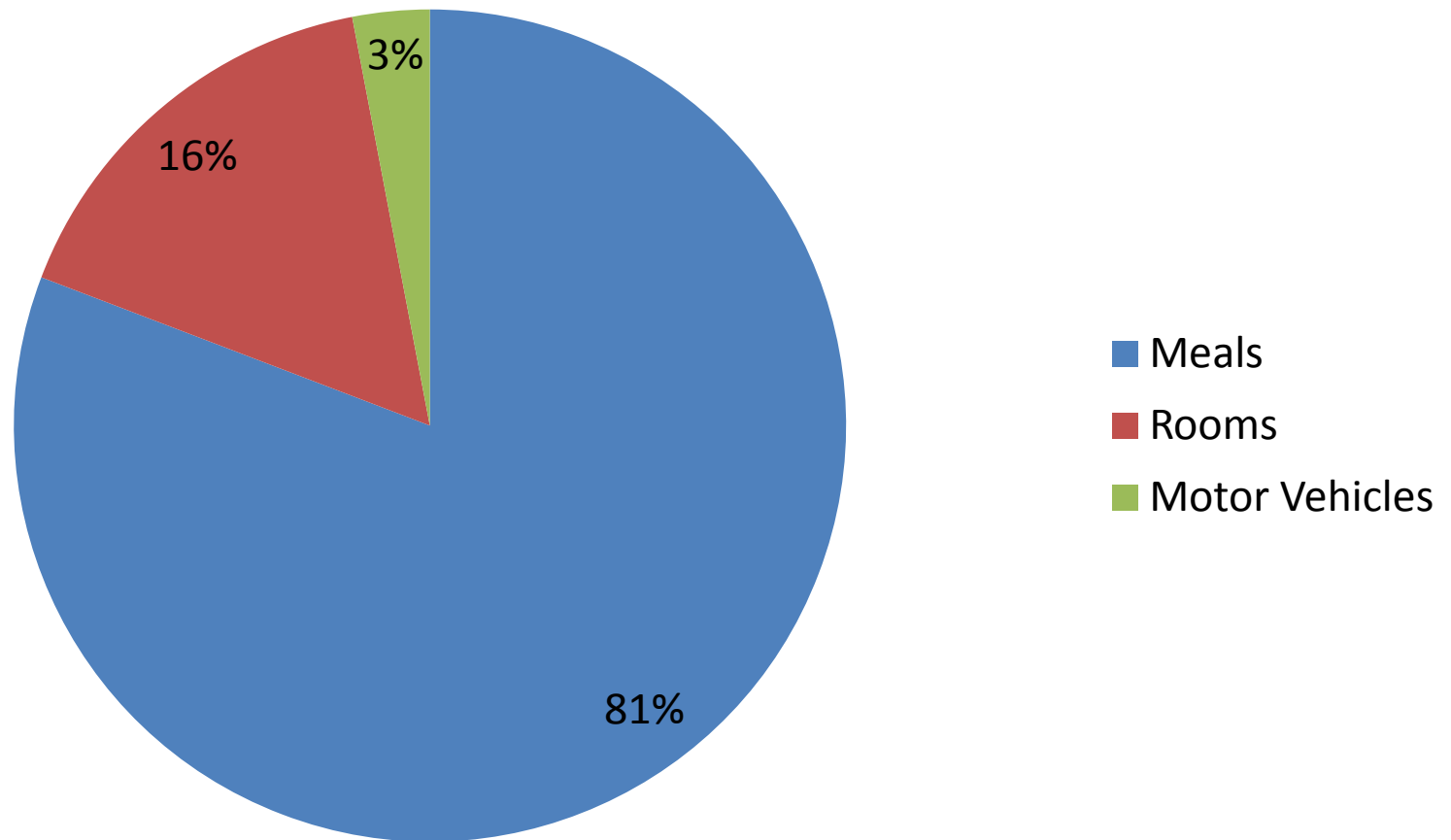
# Meals and Rooms (Rentals)Tax (M&R)

## RSA 78-A

| Overview of Tax   | When to File/Pay   |
|---|--|
| <ul style="list-style-type: none"> <li>•9% on meals, rooms and motor vehicle rentals</li> <li>•Tax is paid by the consumer and collected and remitted by operators of hotels, restaurants, or other businesses providing taxable meals, rooms rentals, and motor vehicle rentals</li> <li>•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</li> </ul> | <ul style="list-style-type: none"> <li>•Returns are filed on a monthly basis and are due by the 15<sup>th</sup> day of the month following the taxable period</li> <li>•Electronic filing, via touch tone telephone and personal computer, is available.</li> <li>•A paper return is not required if filing electronically, but operators must retain the Meals and Rooms (Rentals) worksheet</li> </ul> |

# M&R Tax

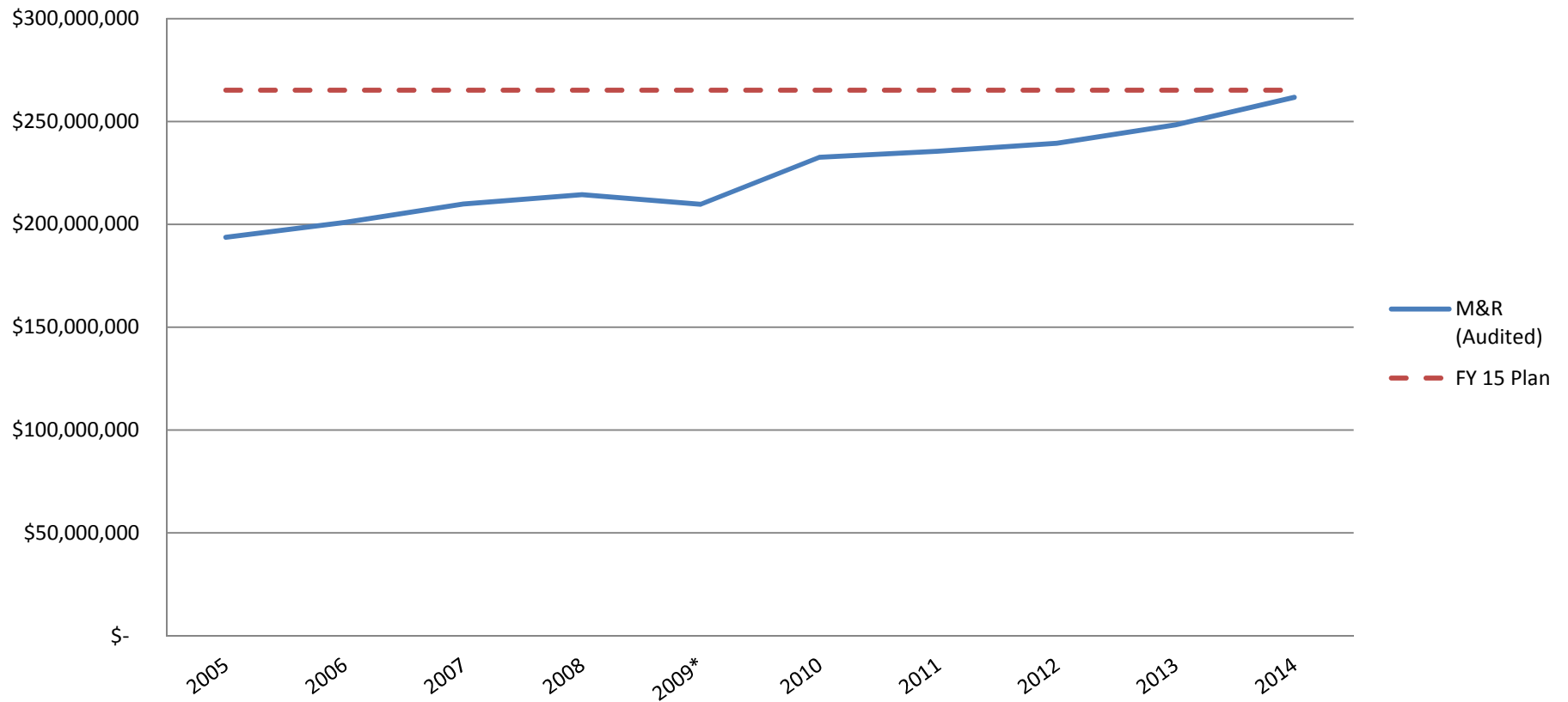
For FY 2010 to FY 2014, on average, M&R Tax revenues were composed of:





# M&R Tax Revenues

## 10 Year History



\*Rate increase from 8% to 9%

### Factors Influencing Revenue:

- Unemployment
- Weather
- Travel and tourism

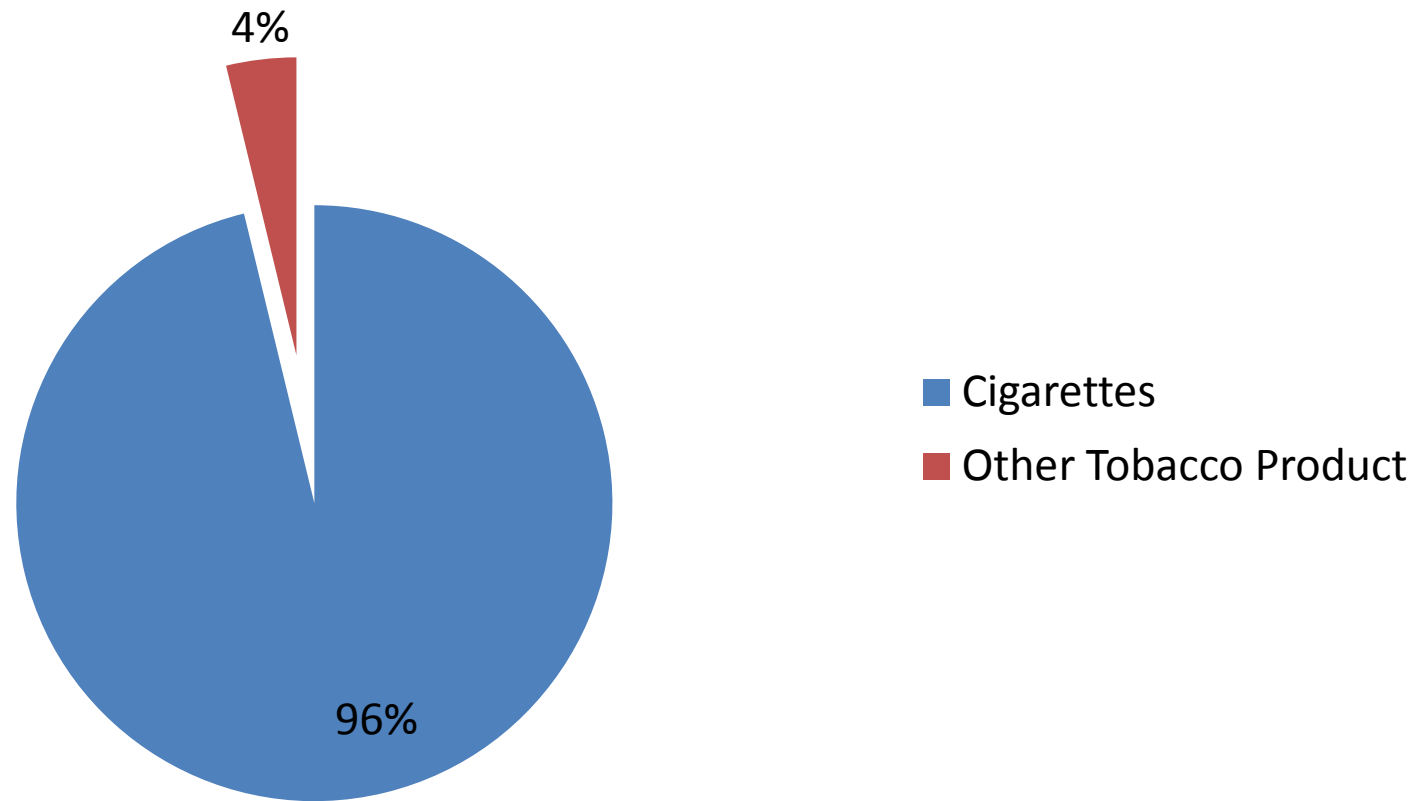
# Tobacco Tax

## RSA 78

| Overview of Tax  | When to File/Pay   |
|--|--|
| <ul style="list-style-type: none"> <li>•\$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)</li> <li>•Premium cigars are exempt from taxation</li> <li>•Tax on tobacco products is a direct tax upon the consumer at retail, but it is pre-collected and paid by the wholesaler for the purpose of convenience and facility</li> <li>•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</li> </ul> | <ul style="list-style-type: none"> <li>•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</li> <li>•The return and payment of tax are due on or before the 15<sup>th</sup> day of the month following the end of the reporting period</li> <li>•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</li> </ul> |

# Tobacco Tax

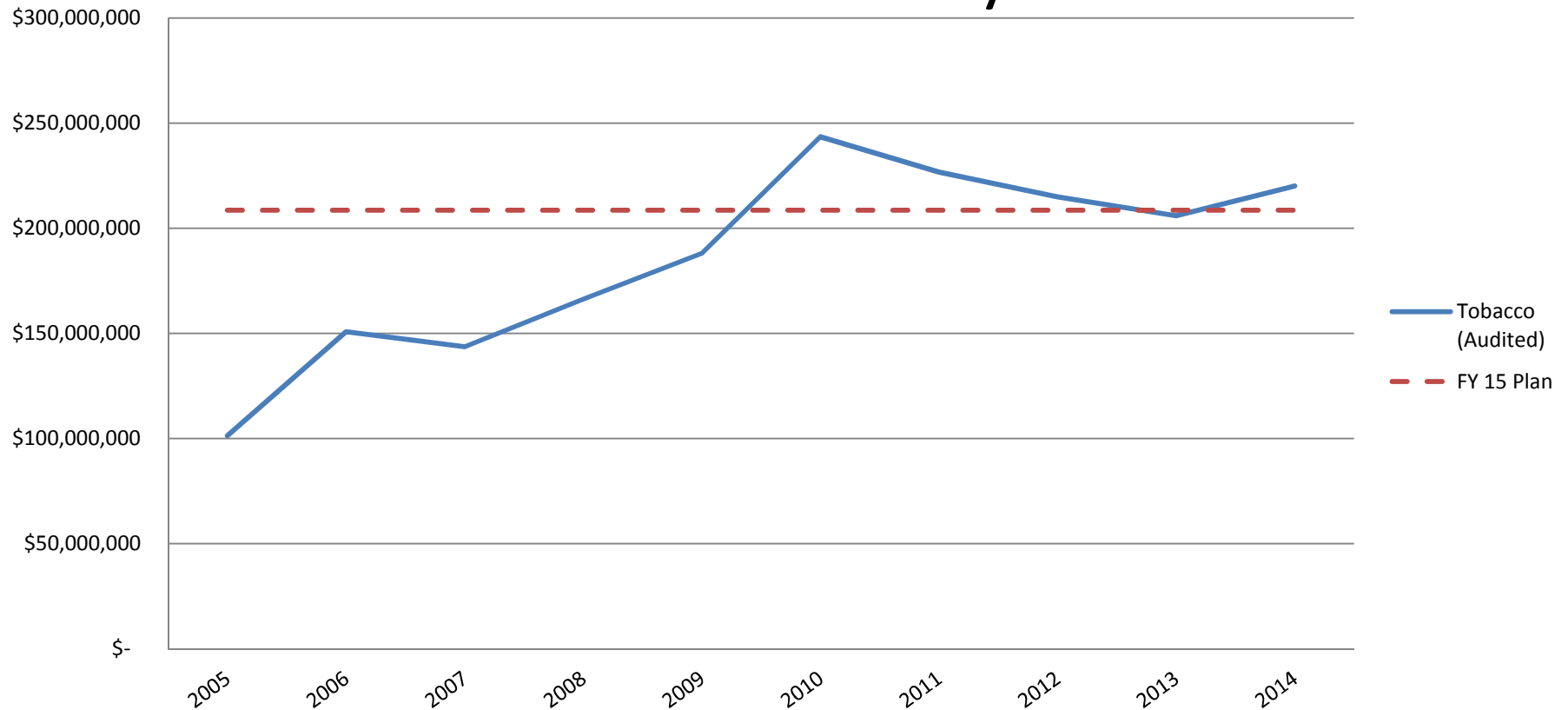
For FY 2010 to FY 2014, on average, Tobacco Tax revenues were composed of:



\*For FY 2005 to FY 2009, on average, Tobacco Tax revenues were composed of: 99% cigarettes and 1% Other Tobacco Product

# Tobacco Tax Revenues

## 10 Year History



| Date                        | A Stamps<br>(25 pack) | B Stamps<br>(20 pack) |                   |
|-----------------------------|-----------------------|-----------------------|-------------------|
| Aug 2013 to Current         | \$2.23                | \$1.78                | FY14 but not July |
| July 2011 to July 31, 2013  | \$2.10                | \$1.68                | FY12 & FY13       |
| July 2009 to June 2011      | \$2.23                | \$1.78                | FY10 & FY11       |
| October 2008 to June 2009   | \$1.65                | \$1.33                | FY09              |
| July 2007 to September 2008 | \$1.35                | \$1.08                | FY08 & FY09       |
| July 2005 to June 2007      | \$1.00                | \$0.80                | FY06 & FY07       |
| July 1999 to June 2005      | \$0.65                | \$0.52                | FY00 to FY05      |
| July 1997 to June 1999      | \$0.46                | \$0.37                | FY98 & FY99       |

Note: October 2008 (FY09) rate was increased due to the legislative mandate dependent upon July 2008 to September 2008 stamp sales.

### Factors Influencing Revenue:

- Cross border elasticity
- Smoking cessation
- Downward trend of stamps sales

# Real Estate Transfer Tax (RETT)

## RSA 78-B

| Overview of Tax  | When to File/Pay  |
|--|---|
| <ul style="list-style-type: none"> <li>•Tax on the sale, granting, and transfer of real property or interest in real property</li> <li>•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</li> <li>•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</li> <li>•Each Register of Deeds retains 4% of the face value of the stamps sold in the county</li> </ul> | <ul style="list-style-type: none"> <li>•Each buyer and seller must file a Declaration of Consideration and an Inventory of Property Transfer within 30 days</li> <li>•Each Register of Deeds shall remit the taxes collected to the Department on a monthly basis</li> <li>•In Real Estate Holding Company transactions the tax is remitted directly to the Department</li> </ul> |

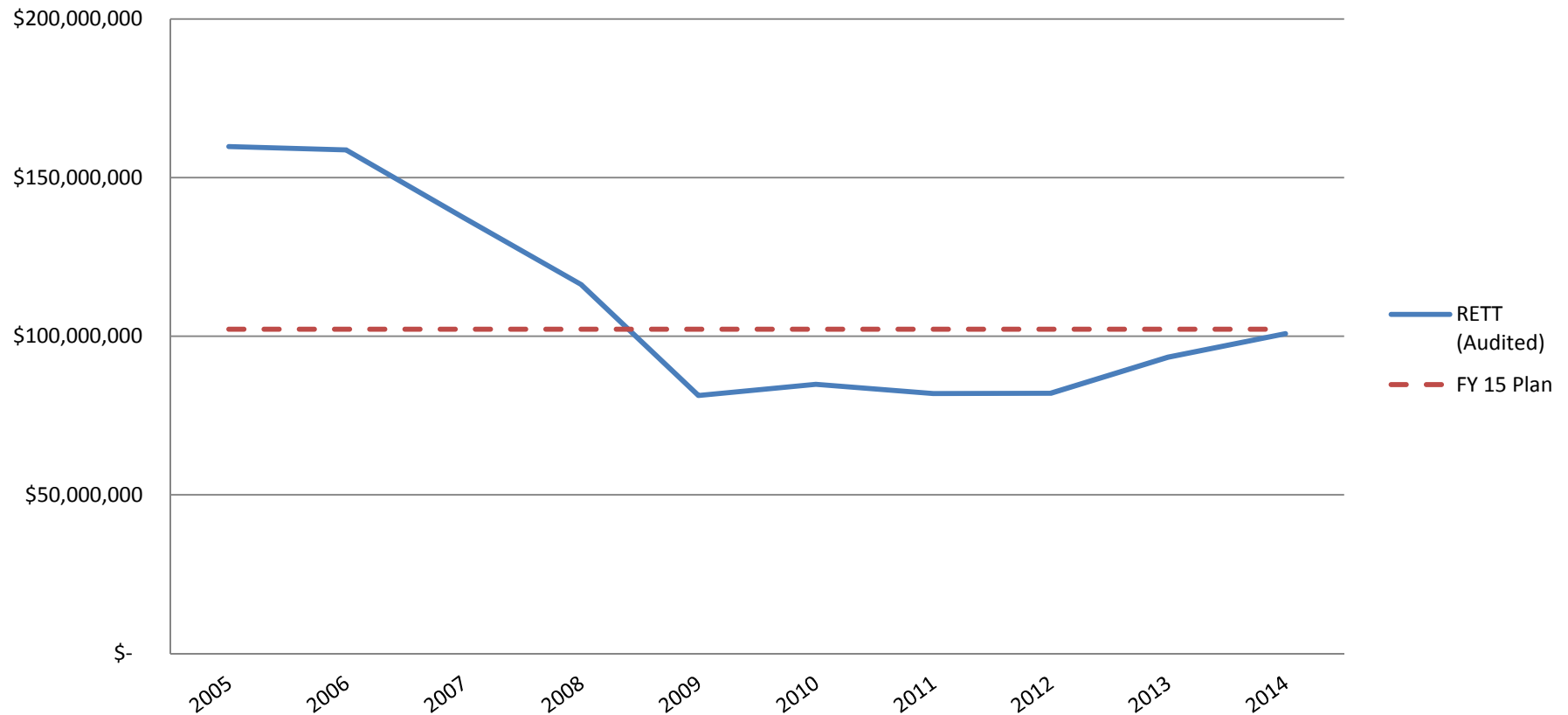
# RETT Taxpayers

For FY2014, the average monthly percent of transactions and average monthly percent of total tax received by county:

|              | <u>Transactions</u> | <u>Tax</u> |
|--------------|---------------------|------------|
| BELKNAP      | 6.1%                | 6.5%       |
| CARROLL      | 7.0%                | 6.7%       |
| CHESHIRE     | 3.8%                | 4.8%       |
| COOS         | 1.3%                | 3.0%       |
| GRAFTON      | 7.0%                | 10.8%      |
| HILLSBOROUGH | 25.8%               | 24.9%      |
| MERRIMACK    | 9.3%                | 10.0%      |
| ROCKINGHAM   | 30.6%               | 21.9%      |
| STRAFFORD    | 6.8%                | 7.9%       |
| SULLIVAN     | 2.3%                | 3.5%       |
|              | <hr/>               | <hr/>      |
|              | 100.0%              | 100.0%     |

# RETT Revenues

## 10 Year History



### Factors Influencing Revenue:

- Housing values
- Volume of transactions
- Economic trends/cycle

# 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"><li>•5% on interest and dividends income</li><li>•All New Hampshire residents, fiduciaries, LLCs, partnerships and associations</li><li>•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 65<sup>th</sup> birthday</li></ul> | <ul style="list-style-type: none"><li>•Returns are due April 15</li><li>•7-month extensions to file, with payment, are due by the return due date</li><li>•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</li></ul> |

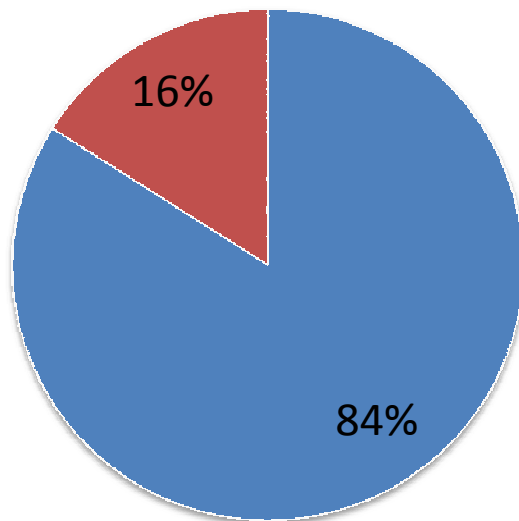


# I&D Taxpayers

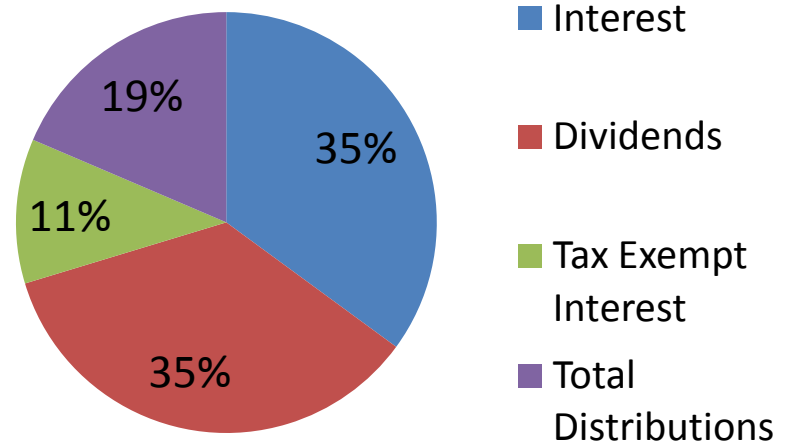
For Tax Year 2011 and Tax Year 2012, on average

## Entities Paying Interest and Dividends Tax

- Individuals
- Proprietorships, Corporations, Partnerships and Trusts

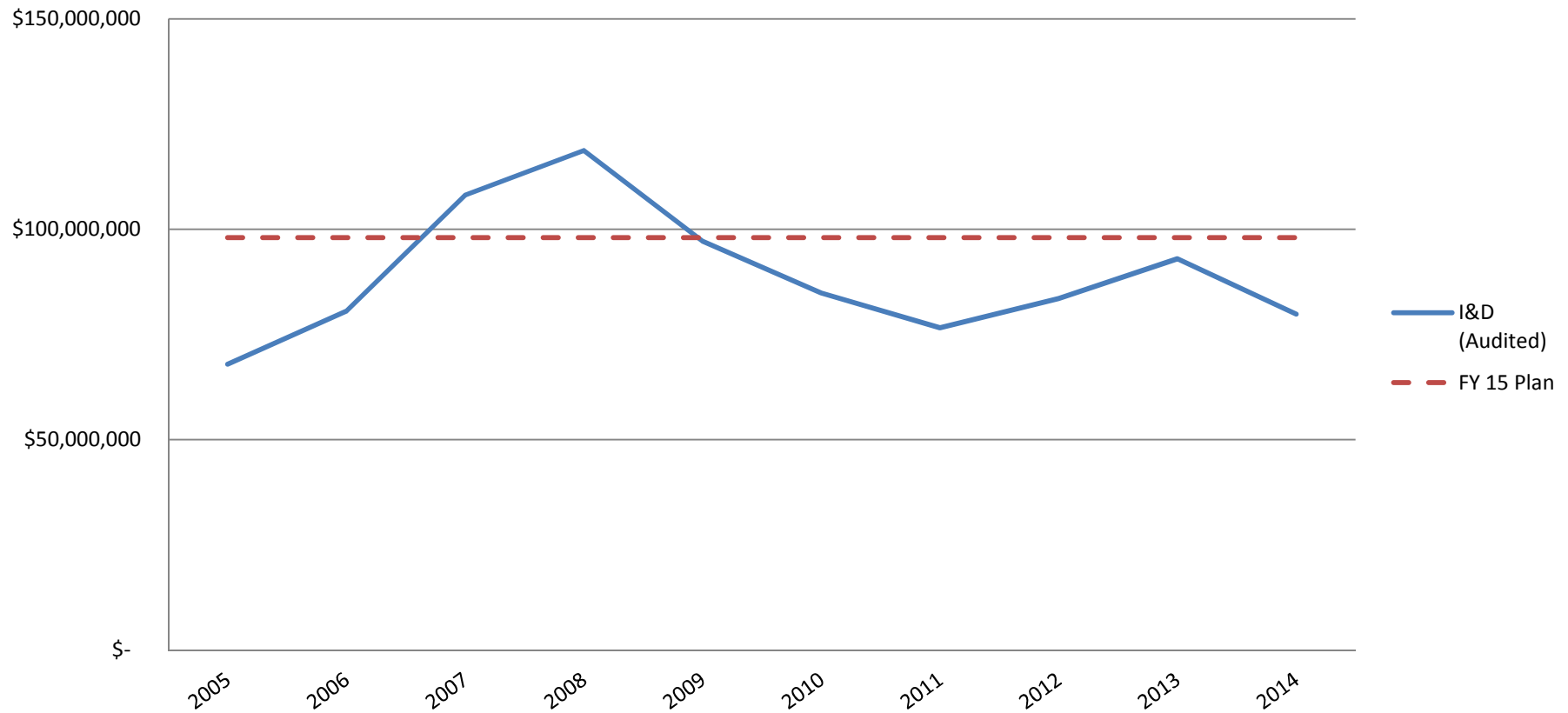


## Interest and Dividends Tax Breakdown



# I&D Tax Revenues

## 10 Year History



### Factors Influencing Revenue:

- Interest rates
- Statutory changes (shifting liability of trusts)
- Fiscal Cliff

# I&D Tax Revenues

## Timing of Revenue

| Month     | % of Total |
|-----------|------------|
| July      | 0.8%       |
| August    | 1.0%       |
| September | 16.6%      |
| October   | 3.2%       |
| November  | 0.1%       |
| December  | 4.4%       |
| January   | 15.1%      |
| February  | 0.8%       |
| March     | 3.7%       |
| April     | 39.7%      |
| May       | 0.1%       |
| June      | 14.5%      |
|           | 100%       |

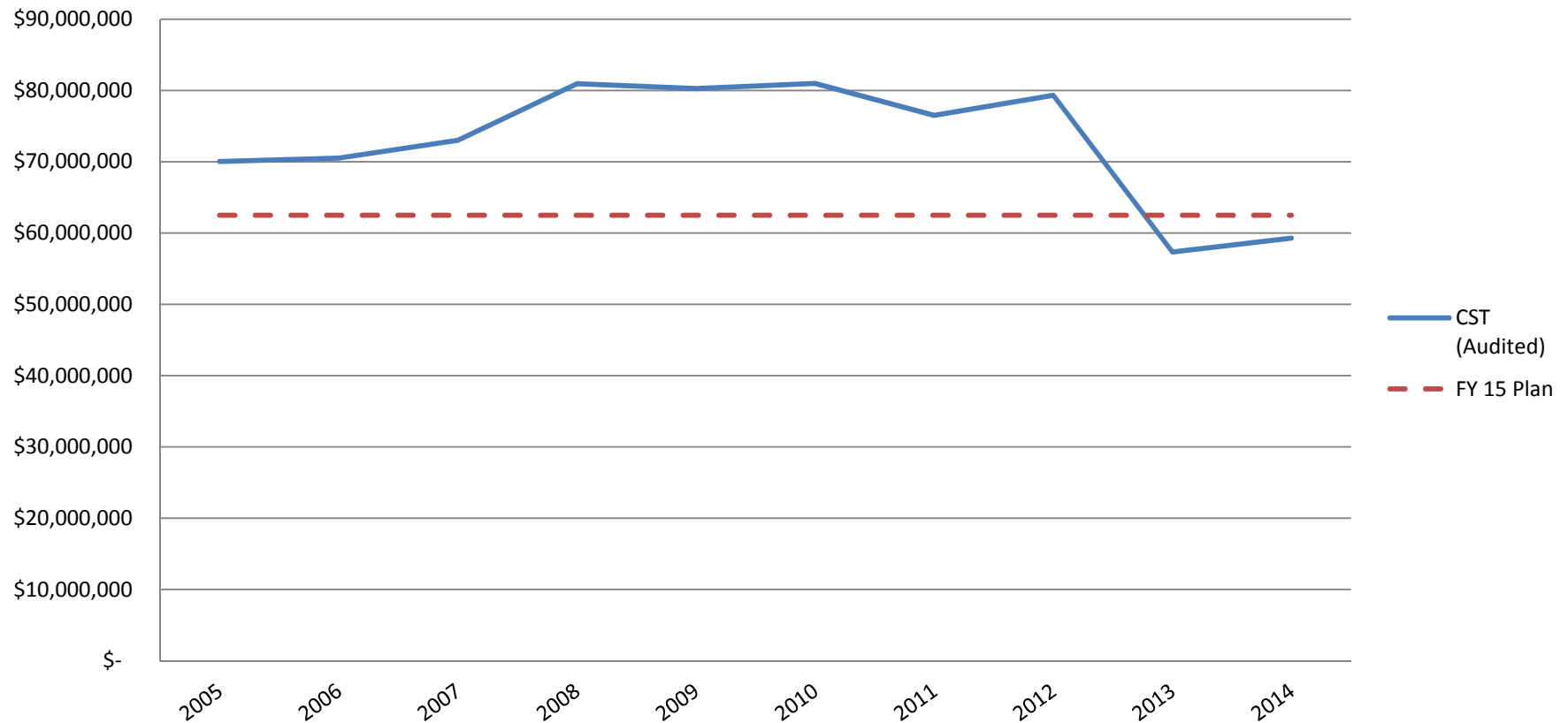
# Communications Services Tax (CST)

## RSA 82-A

| Overview of Tax  | When to File/Pay  |
|--|---|
| <ul style="list-style-type: none"><li>•7.0% on all two-way communications services</li><li>•Tax is paid by the consumer and collected by two-way communications services providers</li><li>•All two-way communications services providers are responsible for collecting and remitting the tax from the consumer and filing a return</li></ul> | <ul style="list-style-type: none"><li>•Returns are filed on a monthly basis and are due by the 15<sup>th</sup> day of the following month</li><li>•If the liability under \$100 per month, returns are filed quarterly and are due by the 15<sup>th</sup> day of the month following the quarter</li><li>•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 15<sup>th</sup> day of the month during which the liability is incurred</li></ul> |

# CST Revenues

## 10 Year History



### Factors Influencing Revenue:

- Taxability of Internet access
- Decrease in landlines

# Medicaid Enhancement Tax (MET)

## RSA 84-A

| Overview of Tax  | When to File/Pay   |
|--|--|
| <ul style="list-style-type: none"> <li>•5.5%* tax upon the “net patient services revenue” of hospitals</li> <li>•Tax is paid by general hospitals that provide inpatient and outpatient hospital services, but not including government facilities</li> <li>•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</li> </ul> | <ul style="list-style-type: none"> <li>•Each hospital is required to pay 100% of its MET due and payable for the tax period no later than April 15<sup>th</sup></li> <li>•Every hospital shall file a return by April 15<sup>th</sup> in the taxable period</li> </ul> |

\*Rate reduced to 5.45% for taxable period ending 6/30/16; 5.4% for taxable period ending 6/30/17; and 5.4% for taxable periods ending 6/30/18 and beyond *unless* the total aggregate uncompensated care for hospitals with both a critical and noncritical designation falls below \$375,000,000, at which point the tax rate is reduced to 5.25%. (Chp. 158, Laws of 2014)

# Nursing Facility Quality Assessment (NFQA) and Intermediate Care Facility Quality Assessment (ICFQA)

RSA 84-C and RSA 84-D

| Overview of Tax   | When to File/Pay   |
|---|--|
| <ul style="list-style-type: none"> <li>•5.5% tax upon the “net patient services revenue” on all nursing and intermediate care facilities on the basis of patient days in each facility</li> <li>•The assessment is paid by nursing and intermediate care facilities as well as facilities licensed as a specialty hospital and certified to receive federal reimbursement as a nursing facility</li> <li>•The assessment period for NFQA and ICFQA is a 3-month period beginning July 1, October 1, January 1 and April 1 of each year</li> </ul> | <ul style="list-style-type: none"> <li>•Every facility shall file a return by the 10<sup>th</sup> day of the month following the expiration of the assessment period (January 10, April 10, July 10 and October 10)</li> <li>•Each facility is required to pay 100% of its NFQA/ICFQA due and payable for the assessment period no later than the 15<sup>th</sup> day of the month following the assessment period (January 15, April 15, July 15 and October 15)</li> <li>•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</li> </ul> |

# Electricity Consumption Tax (ECT)

## RSA 83-E

| Overview of Tax   | When to File/Pay   |
|---|--|
| <ul style="list-style-type: none"><li>•\$0.00055 per kilowatt hour on persons, including government units, distributing, redistributing or transmitting electrical energy for consumption</li><li>•Tax is paid by the consumer and collected by distribution companies</li><li>•All distribution companies are responsible for collecting and remitting the tax from the consumer and filing a return, except in the case of consumers who do not pay the tax to a provider in which case the consumers submit the return</li></ul> | <ul style="list-style-type: none"><li>•Returns are filed on a monthly basis and are due by the 15<sup>th</sup> day of the second month following the month in which the electrical energy was provided to a consumer</li><li>•Every provider shall collect and monthly remit the tax at the time it makes a return to the Department</li></ul> |



# Utility Property Tax (UPT)

## RSA 83-F

| Overview of Tax  | When to File/Pay   |
|--|--|
| <ul style="list-style-type: none"><li>•Tax rate is \$6.60 per \$1,000 of value of utility property as defined by RSA 83-F</li><li>•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</li></ul> | <ul style="list-style-type: none"><li>•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</li><li>•Return and payment are due on or before January 15</li><li>•Estimates equal to 25% of estimated tax liability are due April 15, June 15, September 15 and December 15</li></ul> |

# Railroad Tax

## RSA 82

| Overview of Tax   | When to File/Pay   |
|---|--|
| <ul style="list-style-type: none"><li>•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</li><li>•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</li><li>•Property values and average rate of taxation are determined by the Department</li><li>•Railroad "property" applies to both railroad companies and private rail cars operated for profit on any railroad in NH</li></ul> | <ul style="list-style-type: none"><li>•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</li><li>•Payment is due within 15 days from the date of the Notice of Value and Tax Bill (typically due December 15)</li><li>•Estimates equal to 25% of estimated tax liability are due April 15, June 15, September 15 and December 15 if estimated liability exceeds \$200</li></ul> |

# Local Property Taxes

## RSA 72

| Statewide Education Property Tax   | Local Property Taxes  |
|--|---|
| <ul style="list-style-type: none"><li>•Tax is assessed and collected by the municipalities to be retained for use by their local school districts</li><li>•The Department sets the tax rate at a level sufficient to generate revenue of \$363,000,000</li><li>•The rate shall be set to the nearest ½ cent necessary to generate the revenue required</li></ul> | <ul style="list-style-type: none"><li>•Property taxes, based upon local assessed valuations, are administered and collected by the individual cities and towns</li><li>•The majority of property taxes collected are based on the market value of the property at its highest and best use</li><li>•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</li></ul> |

# Excavation (Gravel) Tax

## RSA 72-B

| Overview of Tax   | When to File/Pay  |
|---|---|
| <ul style="list-style-type: none"><li>•Tax rate is \$0.02 per cubic yard of earth, as defined in RSA 155-E:1, I, excavated, with certain exceptions</li><li>•Tax is assessed by, and payable to, the local assessing officials</li><li>•The Department is responsible for administering and enforcing the tax including educating municipal officials, having the authority to check on the volumes turned in on the report of excavated material, reporting violations to local and state officials and entering any lands that may have an excavation</li></ul> | <ul style="list-style-type: none"><li>•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</li><li>•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</li></ul> |

# Timber Tax

## RSA 79

| Overview of Tax   | When to File/Pay   |
|---|--|
| <ul style="list-style-type: none"> <li>•Tax rate is 10 percent of the stumpage value at the time of cutting</li> <li>•Tax is assessed by, and payable to, the local assessing officials</li> <li>•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</li> </ul> | <ul style="list-style-type: none"> <li>•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</li> <li>•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</li> </ul> |

# History of Tax Rate Changes

- 1975** - Tobacco tax changed from 42% to a flat raate of \$0.12 per package
- 1977** - BPT rate increased from 7.0% to 8.0%
  - I&D rate increased from 4.25% to 5.0%
  - M&R rate increased from 5% to 6%
  - RETT rate increased from .15% to .25% to buyer only
- 1981** - M&R rate increased from 6% to 7%
  - RETT modified to .25% to both buyer and seller
- 1983** - RETT increased from .25% to .5% to both buyer and seller
  - Tobacco tax increased to \$0.17 per package
- 1985** - RETT deceased from .5% to .375% to both buyer and seller
- 1986** - Tobacco modified to \$0.17 per package of 20 and \$0.21 per package of 25
- 1987** - RETT decreased from .375% to .35% to both buyer and seller
- 1989** - RETT increased from .35% to .475% to both buyer and seller
  - Tobacco tax increased to \$0.21 per package of 20 and \$0.26½ per package of 25
  - RETT increased from .475% to .525% to both buyer and seller
  - Tobacco tax increased to \$0.25 per package of 20 and \$0.31¼ per package of 25
- 1993** - BET introduced at a rate of .0025%
  - CST rate of 5.5%
- 1994** - BPT rate of 7.5% for FY94
  - RETT decreased from .525% to .5% to both buyer and seller
- 1995** - BPT rate of 7.0% for FY95
- 1997** - Tobacco tax increase to \$0.37 per package of 20
- 1999** - BPT rate increased from 7.0% to 8.0%
  - BET rate increased from .25% to .5%
  - RETT increased from .5% to .75% to both buyer and seller
  - Tobacco tax increase to \$0.52 per package of 20
- 2001** - BPT rate increase from 8.0% to 8.5%
  - BET rate increase from .5% to .75%
  - CST rate increased from 5.5% to 7%
- 2003** - Tobacco tax of \$0.52 per pack with 19% tax on tobacco other than cigarettes
- 2005** - Tobacco tax increase to \$0.80 per pack
- 2007** - Tobacco tax increase to \$1.08
- 2009** - M&R rate increased from 8% to 9%
  - Tobacco tax increase to \$1.78
  - Tobacco tax increase from 19% to 48.59% of wholesale price
- 2010** - Tobacco tax rate increase from 48.59% to 65.03% of wholesale price
- 2011** - Tobacco tax decrease from \$1.78 to \$1.68
  - Tobacco tax decrease from 65.03% to 48% of wholesale price
- 2013** - Tobacco tax increase from \$1.68 to \$1.78
  - Tobacco tax increase from 48% to 65.03% of wholesale price

# Economic Forecasts

|                            | Surv. of Prof.<br>Forecasters (Nov) | Wells Fargo<br>(Jan) | WSJ (Dec) | Fed (Dec)   | CBO (Aug-<br>alternative) | OMB<br>(July) | IMF<br>(Oct) |
|----------------------------|-------------------------------------|----------------------|-----------|-------------|---------------------------|---------------|--------------|
| economic growth, 2015      | 3%                                  | 2.8%                 | 2.9%      | 2.6 to 3%   | 3.4%                      | 3.5%          | 3.1%         |
| economic growth, 2016      | 2.9%                                | 3%                   | 2.8%      | 2.5 to 3%   | 3.4%                      | 3.3%          | 3%           |
| unemployment (end of 2015) | 5.5%                                | 5.4%                 | 5.3%      | 5.2 to 5.3% | 5.8%                      | 5.7%          | 5.9%         |
| unemployment (end of 2016) | 5.4% (average)                      | 5.1%                 | 5%        | 5 to 5.2%   | 5.7%                      | 5.5%          | 5.7%         |
| inflation, 2015            | 1.8%                                | 1.5%                 | 1.9%      | 1 to 1.6%   | 1.7%                      | 2.0%          | 2.1%         |
| inflation, 2016            | 1.9%                                | 2%                   | 2.3%      | 1.7 to 2%   | 1.8%                      | 2.1%          | 2.1%         |

# Tax Policy and Fiscal Analysis Group

Tax Policy Analyst, Statistical Analyst and 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.





PLEASE COMPLETE ALL SHADED AREAS IN THE WORKSHEET. IF YOU HAVE ANY QUESTIONS, PLEASE REFER TO THE LBAO GUIDELINES FOR FISCAL NOTE WORKSHEETS OR CONTACT OUR OFFICE (271-3161).

|                 |                  |                      |           |
|-----------------|------------------|----------------------|-----------|
| Agency Name:    | [Agency Name]    | Date of LBAO Request | XXXX/XXXX |
| LSR #:          | [15-XXXXX]       | Date Due to LBAO     | XXXX/XXXX |
| Bill #:         | [Bill #]         | Date Sent to LBAO    | XXXX/XXXX |
| Amendment #(s): | [Amendment #(s)] | Corrected Worksheet? | [Yes/No]  |

#### A. Fiscal Impact Summary

- Specify the total impact on revenues and expenditures for each level of government.
- Only the *incremental change* from the current law or budget should be included.
- If there is no fiscal impact, enter a zero ("0"). If the fiscal impact cannot be estimated, enter "Indeterminable" and indicate if the impact may increase or decrease revenues or expenditures.
- The amounts in the table below should correspond with the calculations in Section C of this worksheet.
- Decreases should be presented within parenthesis.

|                     | FY 2015 | FY 2016 | FY 2017 | FY 2018 | FY 2019 |
|---------------------|---------|---------|---------|---------|---------|
| State Revenues      | \$      | \$      | \$      | \$      | \$      |
| State Expenditures  | \$      | \$      | \$      | \$      | \$      |
| County Revenues     | \$      | \$      | \$      | \$      | \$      |
| County Expenditures | \$      | \$      | \$      | \$      | \$      |
| Local Revenues      | \$      | \$      | \$      | \$      | \$      |
| Local Expenditures  | \$      | \$      | \$      | \$      | \$      |

#### B. Assumptions

- Clearly explain your understanding of the proposed legislation, how it would be implemented or impact current operations, the source of funds impacted, and any other important cost-related assumptions.
- Assumptions should be clear and not chosen to influence one's opinion of the proposed legislation.
- Assumptions used should relate directly to your agency's estimate of the fiscal impact on the revenues, expenditures, or fiscal liability of the state, or a city, town or county.

[STATE ASSUMPTIONS HERE]

## New Hampshire Department of Revenue Administration

### Fiscal Impact Quick Guide\*

12-2119.0

**HB 1221**, *relative to the credit for BET against the BPT.*

House Ways & Means Committee

This bill states that taxpayers may apply the credit for Business Enterprise Tax (BET) against the Business Profits Tax (BPT) on a quarterly basis when making estimated tax payments.

There is no fiscal impact from this bill as this option is currently available to taxpayers.

For Tax Year 2011 and Tax Year 2012 the New Hampshire form used to calculate estimated business tax payments has a line for credits available under 77-A:5, including the BET credit. (See Line 3(f) on the 2011 and 2012 Estimated Business Tax Worksheets). Thus, the BET credit is indirectly applied against BPT, via the estimation of BET due and BPT net of statutory credits due, during the calculation of the estimated tax due. The amount of BET credit applied can be the amount that will be paid in estimate payments during the year, as well as any carry forward amount from prior years (BET credits can be carried forward for a period of five years).

When the business tax return is ultimately filed, BET net of statutory credits is calculated based on actual amounts for the year. BPT net of statutory credits (including BET) is also calculated based on actual amounts for the year. The amount of BET paid during the year, either through estimates or with the return, or carried forward from prior years can be used as a credit against BPT on the BPT return. Once the BET and BPT liability is determined, any estimate payments made are subtracted to determine the amount due with the final return. The filing of the BPT return is when the BET credit is directly applied, as opposed to indirectly with estimate payments.

For Tax Year 2011 taxpayers have to file two estimate forms each quarter, one for BET and one for BPT; however the worksheet to calculate the BPT estimate allows for the use of BET credits, as specified above.

For Tax Year 2012 taxpayers will file one estimate form each quarter, and will specify what amount they are paying for BET and what amount they are paying for BPT. Again, the worksheet to calculate estimated business tax will allow for the use of BET credits, as specified above.

This bill would take effect July 1, 2012, at which point Tax Year 2012 estimate forms would be in use.

# Ten Principles of Sound Tax Policy

1. Transparency is a must
2. Be neutral
3. Maintain a broad base
4. Keep it simple
5. Stability matters
6. No retroactivity
7. Keep tax burdens low
8. Don't inhibit trade
9. Ensure an open process
10. State and local taxes matter

Source: Tax Foundation