

# New Hampshire Department of Revenue Administration House Finance Committee

January 18, 2017



John T. Beardmore, Commissioner  
Lindsey M. Stepp, Assistant Commissioner

109 Pleasant Street, Concord, NH 03301

603-230-5000



# MISSION

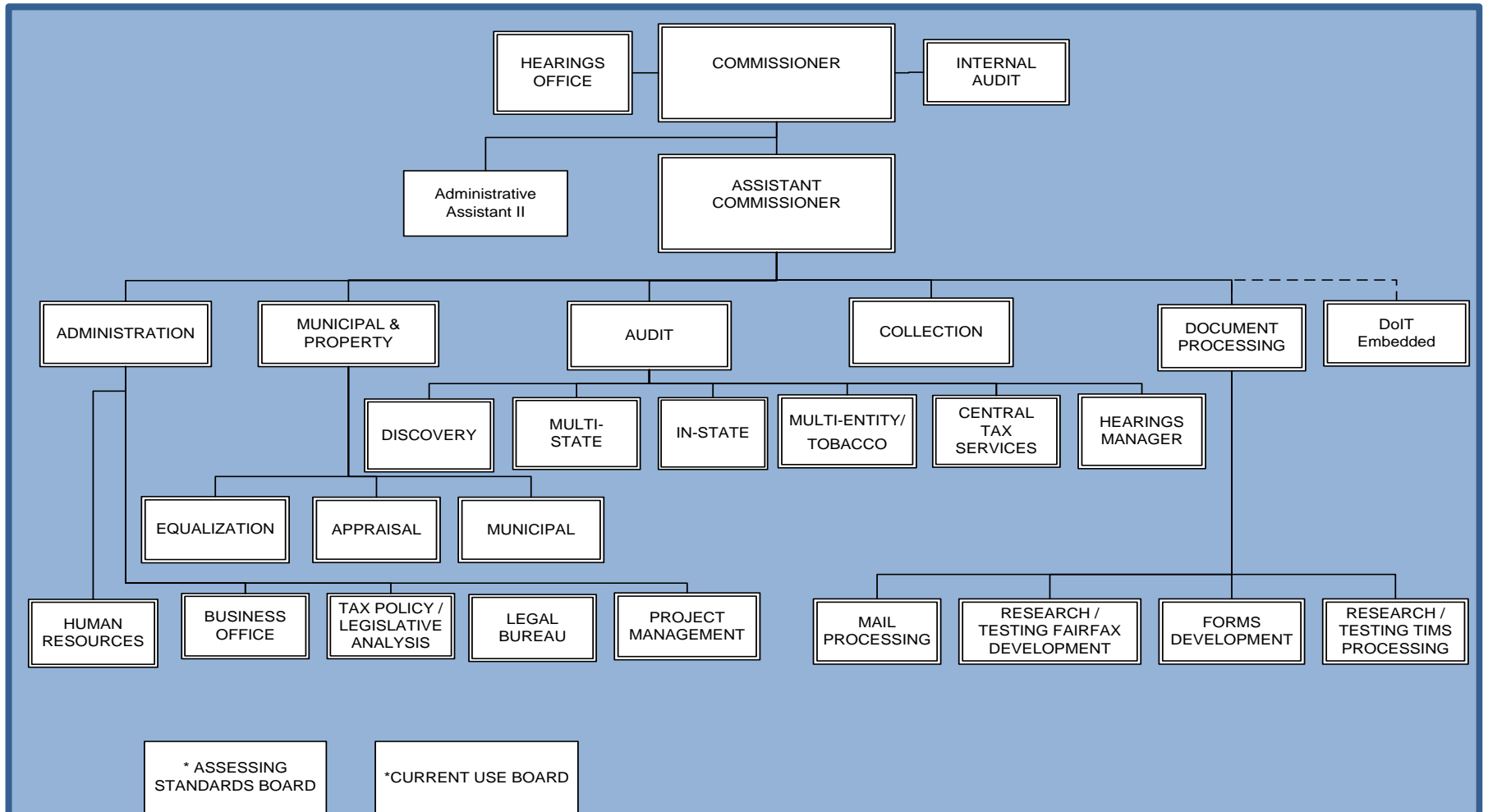
The mission of the Department of Revenue Administration is to fairly and efficiently administer the tax laws of the State of New Hampshire, collecting the proper amount of taxes due, incurring the least cost to the taxpayers, in a manner that merits the highest degree of public confidence in our integrity. 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



\* Administratively Attached Boards

# Administration Unit

- Performs administrative functions necessary to support Department of Revenue Administration (DRA) operations, and includes:
  - Commissioner's Office
  - Business Office
  - Project Management
  - Tax Policy & Legislative Analysis
  - Legal Bureau
  - Hearings Bureau
  - Internal Audit
  - Human Resources

# Audit Division

- Conducts audits of tax returns of individuals, partnerships, estates, trusts, corporations, and documents filed with the DRA to ensure compliance with New Hampshire tax laws and rules.
- Discovery /Nexus Unit researches federal and state filings to identify non-filers who may have a duty to file and pay New Hampshire taxes.
- Central Tax Services Unit provides general assistance to the public for all taxes administered by the DRA and maintains taxpayer accounts.

# Municipal and Property Division

- Establishes and approves municipal, school, county and village district tax rates.
- Provides technical assistance and training in all aspects of municipal finance and budgeting.
- Monitors reappraisals and certifies tax assessors.
- Equalizes local assessed values of municipalities to full value.
- Appraises public utility and railroad property for the administration of corresponding taxes.
- Administers timber and gravel taxes.
- Provides support for statutorily attached boards (Assessing Standards Board and Current Use Board).

# Collections Division

- Initiates collection activities in pursuit of delinquent tax returns and outstanding payments for all taxes administered by DRA.
- Monitors monthly filing of meals and rentals tax returns.
- Issues wholesale tobacco tax licenses and meals and rentals tax licenses.
- Sells tobacco tax stamps.



# Document Processing Division

- Receives, processes, and stores all tax documents, return payments and electronic transactions filed with DRA.
- Manages forms development for all forms filed with DRA.

## Department of Information Technology (Embedded Personnel)

- Designs, develops and maintains computerized systems to support the administration of taxes and to automate labor intensive functions.

# FY 2018 / FY 2019 Agency Budget – The Big Picture

- Governor Hassan’s **general fund** target for DRA was a 1.5% increase over the FY 17 base, adjusted to fully-fund the January 2017 pay raise, for both FY 18 and FY 19.
  - Current FY 17 budget: **\$18,012,997**
  - Adjustment: **\$121,776**
  - 1.5% increase: **\$272,022**
  - Target for both years: **\$18,406,795**
- DRA general fund efficiency budget as submitted:
  - FY 18: **\$18,013,028**
  - FY 19: **\$18,406,795**
- DRA **total funds** efficiency budget as submitted includes Flood Control, L&M Property Tax Relief Program:
  - Current FY 17 budget: **\$20,757,297**
  - FY 18: **\$20,572,043**
  - FY 19: **\$20,965,810**

# FY 2018 / FY 2019 Agency Budget – The Big Picture

- The DRA budget as requested is remarkably “flat” – why?
  - Our GF operating budget is 70% salary and benefits; we’re a department of people, not things or programs.
  - Salary and benefit cost drivers are flat this year.
    - Many staff at or near top of salary matrix with no more steps or wait > 1 year (55% of unclassified at max, 69% of classified at steps 5-8).
    - Insurance “working rates” for health and dental projected to stay relatively flat in FY 18 and FY 19.
    - Employer contribution to NHRS decreases from 12.50% to 12.15% of payroll.
  - DoIT costs held steady at approximately \$2.8 million per year.
  - No major costly initiatives to drive the other 30%.
  - Division Directors, Business Office, and other managers worked hard to budget conservatively and accurately, requesting funds for needs not wants.

# FY 2018 / FY 2019 Agency Budget – The Big Picture

- Flood Control – RSA 122:4
  - \$866,250 (\$242,235 general fund and \$624,015 other funds) in both FY18 and FY19.
  - The Department reimburses cities and towns for lost property taxes resulting from property acquired under the Acquisition of Land by the United States for Navigations and Flood Control.
  - The FY18 and FY19 requested budget assumes Massachusetts and Connecticut will reimburse the State of New Hampshire \$594,300 consistent with their responsibilities under the terms of two multi-state flood control compacts (Merrimack River Valley and Connecticut River Valley).
  - There is a long history of Massachusetts not paying its obligation timely or sufficiently for the Merrimack River Valley compact, with \$1,486,905 currently outstanding for FY15, FY16 and FY17 (payments through FY14 have been settled).
  - Governor is authorized to draw a warrant for the payment of such reimbursements out of money in the treasury not otherwise appropriated.
    - Department is requesting a warrant be issued for FY17 for \$574,863.
- Low and Moderate Property Tax Relief – RSA 198:57-61
  - \$1,935,000 in both FY18 and FY19.
  - Property tax relief program related to the Statewide Education Property Tax, supported by an appropriation from the Education Trust Fund.
  - Funding is consistent with total program cost for recent years (\$1,769,821 in FY16).

# FY 2018 / FY 2019 Agency Budget Highlights

- Current position count is static – 149 full time classified and unclassified positions.
- DoIT services and positions are maintained.
- Funding for critical vendors included (e.g., web-file, equalization & tax rate setting, temp. services, etc.).
- Employee training is a priority – increased from \$28,000 in FY 17 to \$35,500 in FY 18 and FY 19.
- New document scanner in FY 19 (\$262,110).
- Maintains operational capabilities as we anticipate adjusting resources for Revenue Information Management System (RIMS) project.
- Meaningful operating metrics developed and reported on.

# Update on FY 2016 / FY 2017 Budget Priorities

- Modernized e-File (MeF)
  - Continued successful implementation of MeF with the start of business taxes in FY 2017 and continuing into FY 2018.
- Revenue Information Management System (RIMS)
  - Business requirements and RFP nearly complete; DRA has requested \$30 million capital appropriation to modernize taxpayer database developed in 1989.
- Multi-State Tax Commission (MTC) Joint Audit Program
  - Current budget funded and authorized DRA to participate in MTC's Joint Audit Program. DRA was already a Nexus Program Participant.
- Tax Amnesty
  - Current budget authorized a tax amnesty program from December 1, 2015 through February 15, 2016.
  - DRA collected \$19 million in revenue with a total program cost of \$3.1 million in waived interest and penalties and advertising costs.
- Tax Policy
  - DRA and DoIT staff worked diligently to implement and advertise significant tax policy changes during the current biennium.



# Taxes Administered by DRA ~ \$2.2B Revenue

<u>Tax Type</u>	<u>Tax Rate</u>	<u>Statute</u>
Business Enterprise Tax	0.72%*	RSA 77-E
Business Profits Tax	8.2%*	RSA 77-A
Communications Services Tax	7.0%	RSA 82-A
Electricity Consumption Tax	\$0.00055/kilowatt hour	RSA 83-E
Interest and Dividends Tax	5.0%	RSA 77
Meals and Rooms Tax	9.0%	RSA 78-A
Medicaid Enhancement Tax	5.45%*	RSA 84-A
NFQA/ICFQA	5.5%	RSA 84-C/84-D
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

\*BET rate reduced to .675% and BPT rate reduced to 7.9% for taxable periods ending on or after 12/31/18 (subject to certain revenue targets being met).

\*MET rate reduced to 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%.

# Tax Revenue - Fiscal Year 2016 (Unaudited)

<u>Tax Type</u>	<u>Tax Revenue</u>
Business Enterprise Tax	\$272.3M
Business Profits Tax	\$427.0M
Subtotal Business Tax	<u>**\$699.3M</u>
Communications Services Tax	\$52.5M
Electricity Consumption Tax	\$5.9M
Interest and Dividends Tax	\$89.3M
Meals and Rooms Tax	\$301.3M
Medicaid Enhancement Tax	*\$212.5M
NFQA/ICFQA	*\$39.2M
Tobacco Tax	\$227.1M
Taxation of Railroads	*\$0.7M
Utility Property Tax	\$43.3M
Real Estate Transfer Tax	\$134.5M
State Wide Education Property Tax	\$363.6M
<b>TOTAL</b>	<b>\$2.2B</b>

\*DRA FY 2016 Cash Basis

\*\*Includes \$15.36M from 2015-2016 Tax Amnesty Program



# Share of Unrestricted Revenues

General and Education Funds – Source FY2016 (Unaudited)

*Note: DRA's statutory responsibilities represent nearly 80% of NH State General and Education Trust Fund Revenue (\$1.9B out of \$2.5B)*

