



New Hampshire Department of Revenue Administration

Kevin Clougherty, Commissioner

Margaret Fulton, Asst. Commissioner

MISSION

The mission of the Department of Revenue Administration is to collect the proper amount of taxes due, incurring the least cost to the taxpayers, and in a manner that merits the highest degree of public confidence in our integrity, efficiency and fairness.

Further, the Department must provide prompt and constructive assistance to the municipal units of government in matters of budget, finance, and the appraisal of real estate.



DRA Functions and Responsibilities

Administer 14 Taxes ~ \$1.4B Revenue

•Business Enterprise Tax	RSA 77-E
•Business Profits Tax	RSA 77-A
•Communications Services Tax	RSA 82-A
•Electricity Consumption Tax	RSA 83-E
•Interest and Dividends Tax	RSA 77
•Gambling Tax	RSA 77
•Meals and Rooms Tax	RSA 78-A

•Medicaid Enhancement Tax	RSA 84-A
•Tobacco Tax	RSA 78
•Taxation of Railroads	RSA 78
•Utility Property Tax	RSA 83-F
•Excavation Tax	RSA 72-B
•Real Estate Transfer Tax	RSA 78-B
•Timber Tax	RSA 79

Oversee Property Tax ~ \$3.5B Revenue

Municipal Services Division

- Oversee and assists all of the communities in the collection of taxes for local and state taxation
- Provide technical assistance in municipal budget process
- Calculate surety bonds (RSA 41)
- Assist in assuring regular municipal audits
- Review Municipal Charters (RSA 49-B)
- Prepare state tax warrants (RSA 76:8)

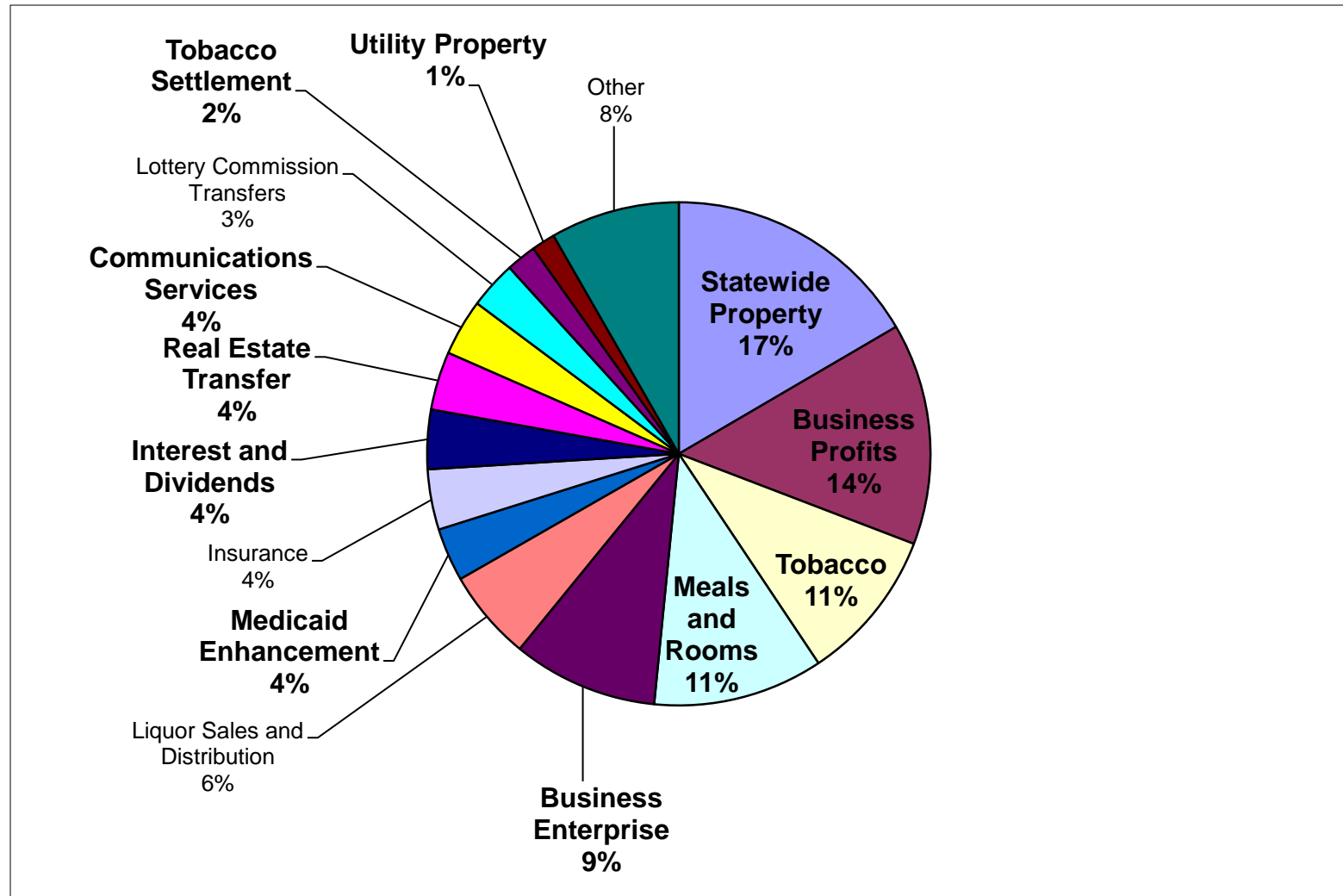
Property Appraisal Division

- Supervise property tax assessments
- Certify assessing personnel
- Conduct Assessment Review in every community
- Monitor all reappraisals for tax purposes
- Equalize all property values in state to market value
- Estimate value of all utility property (RSA 83-F)
- Provide administrative support to Timber and Gravel Tax (RSA 79 and RSA 72-B)
- Administratively support Current Use and Assessing Standards Boards

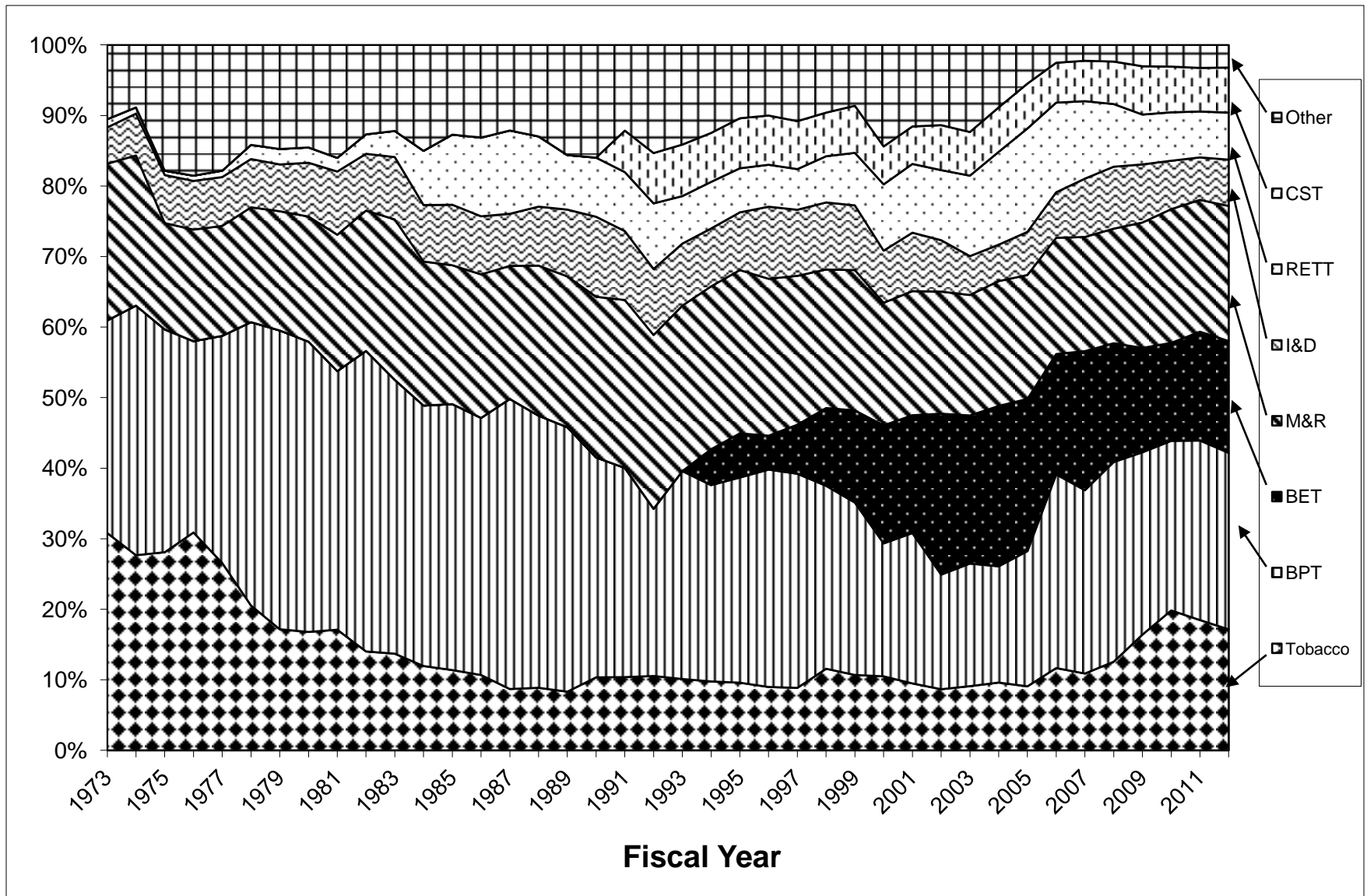
Share of Unrestricted Revenues

General and Education Funds – Source FY2012 CAFR

Note: DRA's statutory responsibilities represent approx .81% of state revenue



History of Tax Types as a Percent of Total Tax Received



History of Tax Types as a Percent of Total Tax Received

Rate Changes

1975 - Tobacco tax changed from 42% to a flat rate 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 decreased 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 \$0.26^{1/2} per package of 25

1990 - M&R rate increased from 7% to 8%

RETT increased from .475% to .525% to both buyer and seller

Tobacco tax increased to \$0.25 per package of 20 and \$0.31^{1/4} 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 increased 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 - Gambling tax repealed for winnings received on or after May 23, 2011

Tobacco tax decrease from \$1.78 to \$1.68

Tobacco tax decrease from 65.03% to 48% of wholesale price

DRA Divisions - 2010

- Document Processing
- Audit
- Collections
- Central Tax Services Unit
- Property Appraisal
- Municipal Services
- Administration Unit
- Administratively Attached Boards
- Office of Information Technology
(Imbedded Personnel from DoIT)

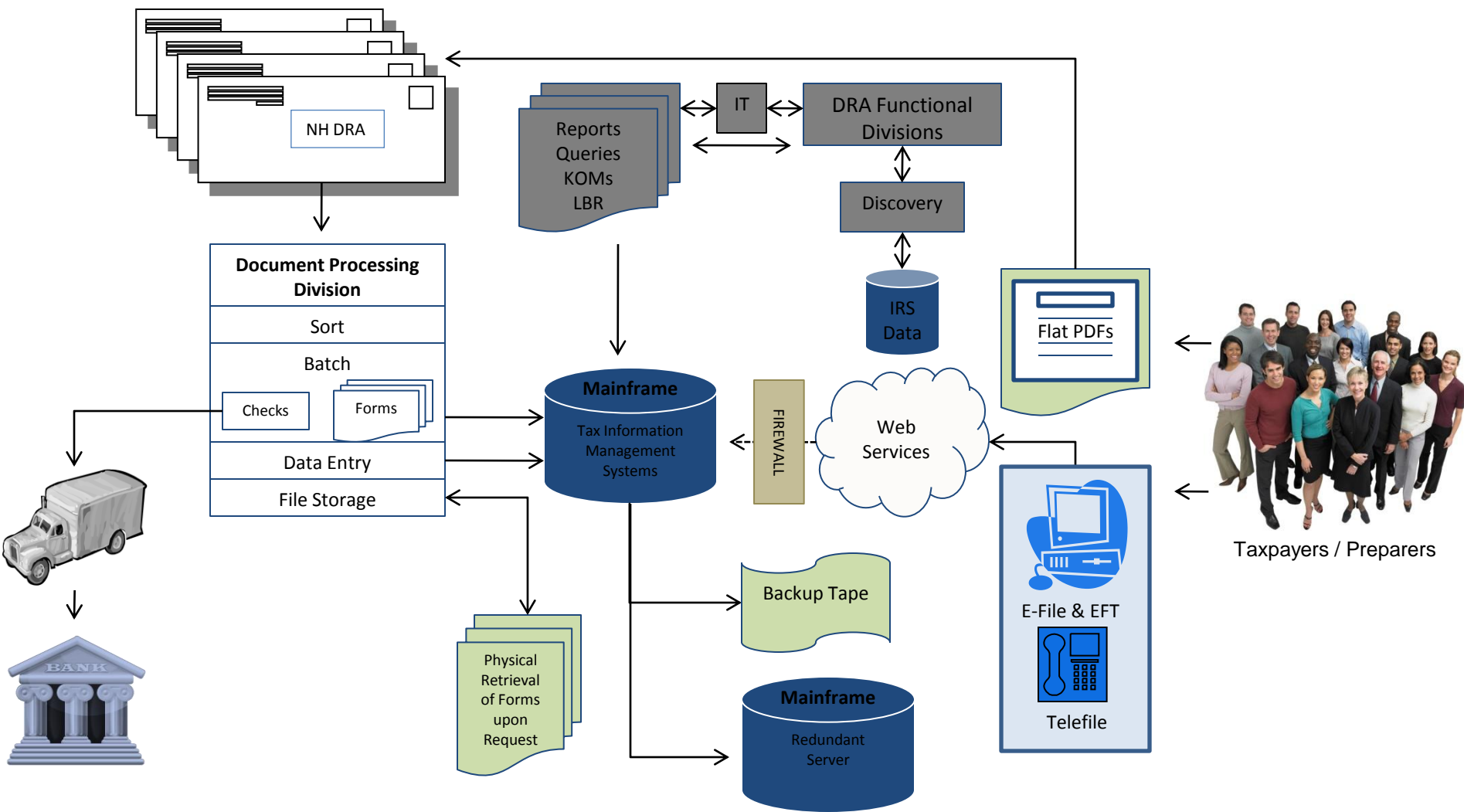


DRA Document and Revenue Processing

DRA Operating Systems - 2010

- Tax Information Management System (TIMS)
 - Developed in 1989
 - COBOL
 - IBM AS-400, DB2
 - Green Screen User Interface
- Additional Tax Applications
 - VB.net
 - Access
 - Excel
 - Kofax Data Capture

Information Processing 2010



Document and Data Processing

PAPER PROCESSING COSTS*				
Type	Quantity	Item Cost	Item Fees	Total
Documents	527,976	\$11.13		\$5.9M
Checks	237,655	\$2.10	\$0.07	\$516K
NSF	438	\$80		\$35K
Armored Car				\$18K
Total Direct Operating Expense				\$6.5M

Data Availability

- ~ 50% of data received is data entered or scanned into DRA tax systems
- The aforementioned data is entered within 90 days of receipt

MANUAL PROCESS

* Does not include overhead or indirect costs

DRA Inbound Processing

For Tax Year 2011:

- 573,000 Documents Received
 - 491,000 Paper (86%)
 - 66,000 E-File (12%)
 - 16,000 T-File (3%)
- 310,000 Payments Received
 - 237,000 Paper Checks (77%)
 - 73,000 Electronic payments (23%)
 - 57,000 E-File
 - 15,000 T-File
 - 1,000 EFT

Modernization Program

- \$7M Capital Appropriation
- Branded “Granite to Green”
 - a portfolio of integrated projects designed to replace static systems and processes with those that are dynamic to maximize organizational efficiency and effectiveness.
- Time Frame: 2010 - 2012
- Inclusive of Hardware, Software, Professional Services and Training

Challenges

- 30% Maintenance Budget Cut
- Abolishment of 43% of DRA Positions
- “DRA Structure” Required by Statute Remains
- How to implement 10 Capital Projects developed to overhaul entire business process while continuing “Business as Usual”
- IT Staff - Lack of Experience with New Technologies
- No Statistics on Cost of Performance/Cost Accounting
- Insufficient Number of Supervisors Compromises Internal Controls
- Dedicated Call Center Abolished

Granite to Green Status

- Upgraded to iSeries Power 6 - COMPLETE
- Upgraded to IBI WebFocus and iWay - COMPLETE
- Created Mosaic: First Sustainable Statewide GIS System – COMPLETE
- Automate Business Processes – IN PROGRESS – Launching 1st Quarter 2013
- Implemented FairFax Imaging Systems and Check 21 Deposit - COMPLETE
- Upgraded Mail Handling and Extraction via Agissar ASER- COMPLETE
- Introduced PFM via Agissar InfoPoll/InfoPointe System – COMPLETE
- Increase Redundancy / Disaster Recovery Planning – IN PROGRESS
– Launching 1st Quarter 2013
- Replaced Centrex with Cisco VoIP and Call Center – COMPLETE
- Migrate FTI Data – DELAYED
- Enable forms for E-File - COMPLETE / Participate in MeF Program - DELAYED
- Enable Credit Card / Debit Card Payment Option – RFP Issued December 2012

Property Appraisal/Municipal Services

- Supervise and educate municipalities in the appraisal, assessment and collection of real estate property taxes. Approximately \$3.5 billion in local, school, county and state revenue.
- Equalize local assessed values of municipalities to full value, ensuring fair and proportionate shared burdens (e.g. state, county and school rates).
- Monitor reappraisals and certify tax assessors.
- Compile and maintain a statewide Geographical Information System (GIS) map, used by DRA and numerous state agencies.
- Set a total of 1,126 tax rates at an accuracy of 99.91%.
- Provide technical assistance and training in all aspects of municipal finance and budgeting.

Property Appraisal/Municipal Services

Pre 2010 Processing

- Manual data entry
- 6,500 documents reviewed manually
- Tax rate mostly manual
- Summary valuation manually compiled
- DOS based equalization software by contractor
- Many processes rely on manual systems and files
- Monitoring assessments mostly manual process

Current and Future Processing

- Automated Form Filing
- Automated processing, fewer manual entries
- Rates mostly automated
- Summary compiled and filed by email
- Windows replacement software owned by DRA
- LEAN improvements help to streamline workflow
- GIS system contains records of all taxable properties

Other PA/MS Duties

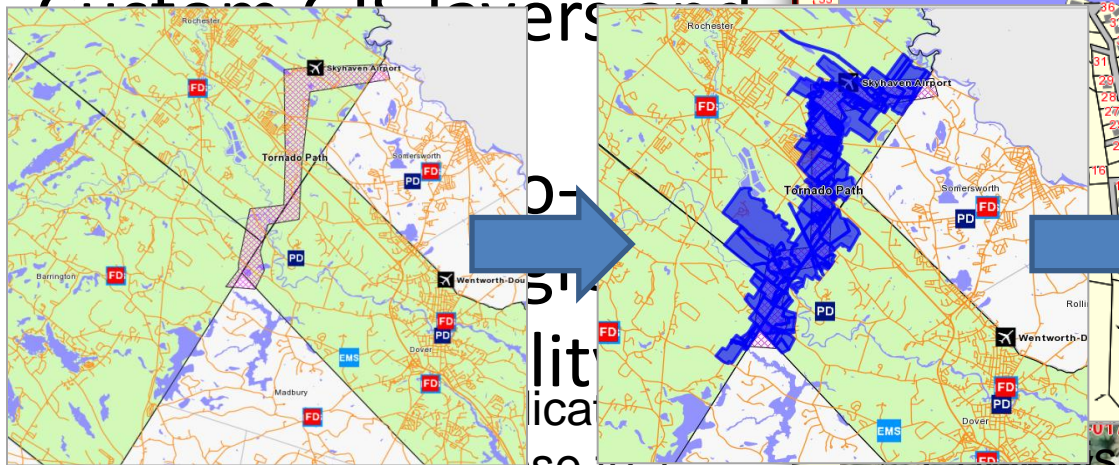
- Administration of the Low and Moderate Property Tax Relief program.
- Administration of the Utility Property Tax generating more than \$34 million revenue.
- Support for the Real Estate Transfer Tax and business return audit activities.
- Administration of the Timber and Gravel taxes.
- Support for statutorily attached boards (Assessing Standards and Current Use Boards).
- Legislative support through testimony and completion of Fiscal Note requests.

Mosaic - GIS

- Disaster relief and response
 - Expedite damage assessment at local and state level

Transaction Layer Shaded by Ratios

- Custom GIS layers



Identify Affected Area

Select Affected Parcels

Red Indicates
Ratio's Over 2.2

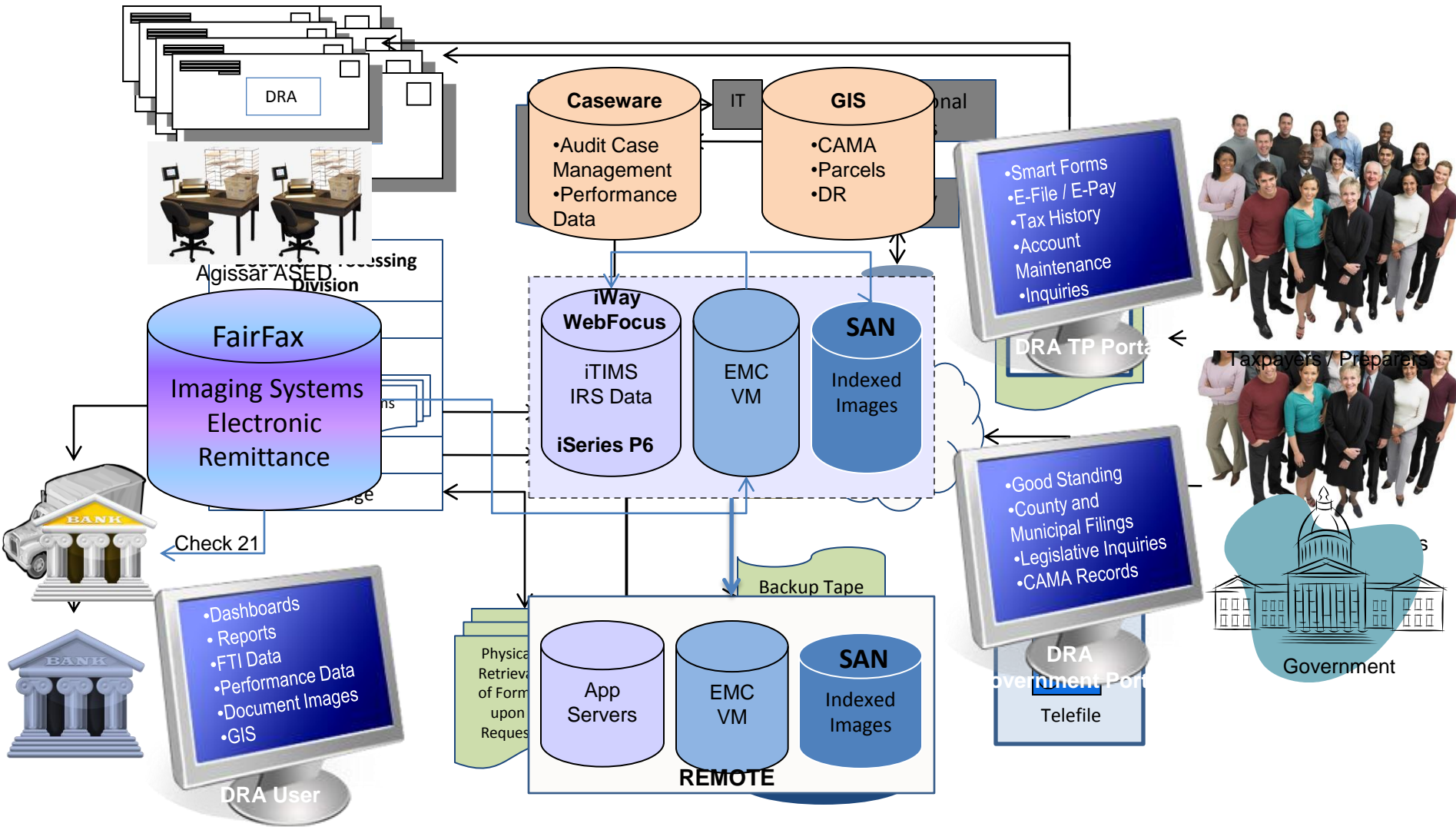
Damage Assessment Report				
STATE OF NEW HAMPSHIRE DEPARTMENT OF REVENUE ADMINISTRATION				
A0018-D00000				
Address	221 LONG HILL RD Dover	Owner:	GREEK ORTHODOX CHURCH	
Building	\$ 351800	Land:	\$ 107300	Features: \$ 0 Total \$ 459100
A0039-001000				
Address	267 LONG HILL RD Dover	Owner:	LINDH DAVID C JR &	
Building	\$ 231800	Land:	\$ 79000	Features: \$ 0 Total \$ 310800
A0039-002000				
Address	7 FIELDSTONE DR Dover	Owner:	MASSE RAYMOND	
Building	\$ 299400	Land:	\$ 87500	Features: \$ 0 Total \$ 386900
A0039-021000				
Address	52 FIELDSTONE DR Dover	Owner:	FIORENZA RICHARD L JR &	
Building	\$ 294500	Land:	\$ 74400	Features: \$ 0 Total \$ 368900
A0039-038000				
Address	315 LONG HILL RD Dover	Owner:	MARTUSCELLO ANTHONY R	
Building	\$ 392500	Land:	\$ 82400	Features: \$ 0 Total \$ 474900
A0039-040000				
Address	4 FIELDSTONE DR Dover	Owner:	CRUZ PETER A &	
Building	\$ 266900	Land:	\$ 86700	Features: \$ 0 Total \$ 353600
A0039-A00000				
Address	321 LONG HILL RD Dover	Owner:	REYNOLDS STEVEN A	
Building	\$ 132900	Land:	\$ 77300	Features: \$ 0 Total \$ 210200
18 August 2010				

Generate Damage
Assessment Reports

1.1 to 1.5
1.3 to 2.2
2.2 to 995

0 to 0.5
0.5 to 0.9
0.9 to 1.1

Architecture 2012



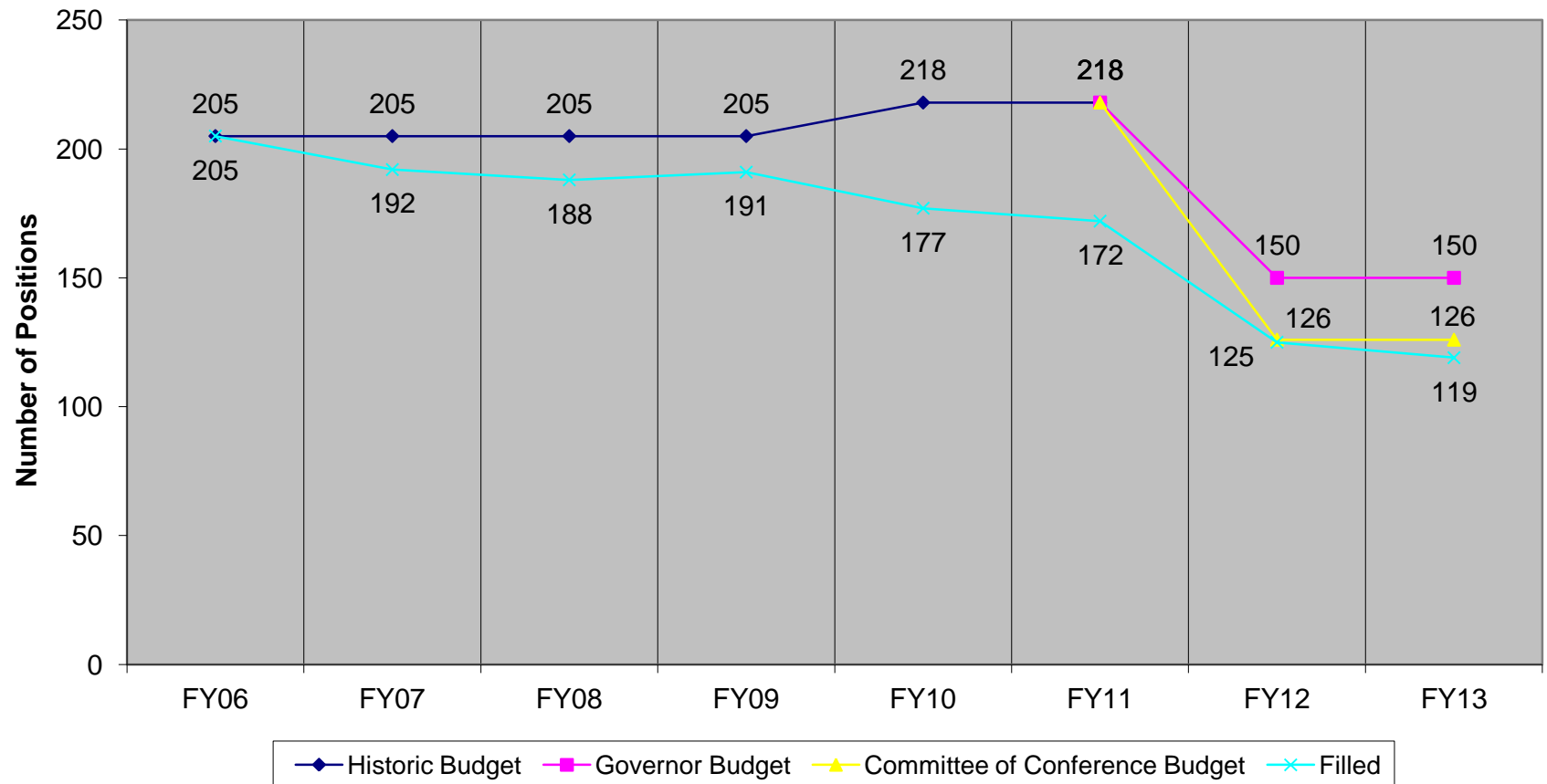
Next Steps

- Migrate and Integrate FTI Data - DELAYED
 - Adhere to Pub 1075 Standards
 - Increase Audit Efficiency and Revenue
- Master Data Management Strategic Design/Implementation
 - DELAYED
- RETT E-File – Anticipated launch 2nd Quarter 2013
- Integration of FairFax – Phase II – 2nd Quarter 2013
- Tax Notice Summary Report for Constituents
- Integrate GIS into Single View of Taxpayer
- Leverage Maintain for writing to Tax Applications
- Integrate SVOT and Cisco VoIP System



DRA Restructuring

DRA Personnel



DRA Vehicles

DRA has gone from 35 vehicles in 2009 to 18 vehicles in 2013.

(A fifty-one percent (51%) reduction)

FairFax Project

Launched: March 16, 2012

Electronic Deposit: 165,217 Checks
\$320,861,952 Deposited

Transactions:

Received:	266,000
Imaged:	227,621
Pages:	2.4 million
Completed:	166,249
Outstanding:	100K Transactions

SUMMARY OF EXPENDITURES

SUMMARY OF EXPENDITURES						
	ACTUAL					
	FY08	FY09	FY10	FY11	FY12	Estimate FY 13
Classified	6,637,589	6,982,512	7,163,277	6,770,552	5,100,672	5,100,672
Unclassified	1,536,758	1,580,880	1,624,355	1,678,759	1,472,889	1,472,889
Benefits	3,777,189	3,978,307	4,546,017	4,533,490	3,614,966	3,614,966
Other	-	-	-	-	-	-
Subtotal	<u>11,951,536</u>	<u>12,541,699</u>	<u>13,333,649</u>	<u>12,982,801</u>	<u>10,188,527</u>	<u>10,188,527</u>
Current Expense	2,658,295	3,733,515	3,295,138	3,212,074	2,804,623	2,999,000
Equipment	161,378	448,560	-	20,407	-	54,000
Subtotal	<u>2,819,673</u>	<u>4,182,075</u>	<u>3,295,138</u>	<u>3,232,481</u>	<u>2,804,623</u>	<u>3,053,000</u>
In-State	87,053	94,570	68,497	55,636	30,000	30,000
Out-of-State	153,980	114,425	127,670	115,489	66,742	85,000
Miscellaneous	274,655	6,602	-	19,847	113,696	35,000
Subtotal	<u>515,688</u>	<u>215,597</u>	<u>196,167</u>	<u>190,972</u>	<u>210,438</u>	<u>150,000</u>
TOTAL	15,286,897	16,939,371	16,824,954	16,406,254	13,203,588	13,391,527
Source: Cash Basis from fiscal year end reconciliation as presented in Annual Reports						

100% Return of Investment (ROI) in less than four (4) years from installation as predicted.

Project on Time Delivery

Project on Budget

DRA Efficiencies

Staffing Reduction	Activity Prior to Capital Project	Activity Current
Document Processing Division - 53%	Check deposit – manual (armored car service); Document processing – manual (data entry of 30-40% of form content into TIMS)	Check deposit – electronic (checks scanned); Document processing – electronic (scanning process provides for electronic collection and retrieval of 100% of form content) Enhanced internal controls
Property Appraisal Division – 29%	Equalization – data transmitted to vendor via “green screen” with limited reporting capability	Equalization – GIS technology allows for windows based data entry and unlimited data extraction and analysis
Administration Division – 44%	Cost benefit capability: - No time cards - No business intelligence capability Legal/Hearings – manual case tracking Antiquated Telephone System - No business Intelligence - No tracking	Automated timesheets (data – division/function/tax); Business intelligence installed – provides 360° view of taxpayer history (all taxes); Dashboard created for each division; Revenue/collection modeling and forecasting capability; Electronic case tracking, management and reporting systems VoIP – First in state interactive Voice Response System (IVR); business intelligence data for managing call center during peak periods.
Municipal Services Division – 44%	Tax rate setting – Excel based	Architectural design of systems to allow process to become electronic in Phase II of project
Audit Division – 39%	Manual case tracking and management	Automated case management and inventory system (electronic notebook) in accordance with industry best practice
Collections Division – 47%	Physical presence in field “pony express”	Single View of Taxpayer (SVOT); Reduced tax lien filing x 50% (\$15,000 filing fees) Professional best practice; Telephone/automated collection



State Revenues

Each year the Government of the District of Columbia, Office of the Chief Financial Officer, Office of Revenue Analysis publishes several reports to provide information to the citizens and taxpayers of the District of Columbia about the tax rates of states and the large cities. The reports contain information about the rates and burdens of major taxes in the District of Columbia compared with states and the largest cities in those states.

This publication contains two reports: (I) Tax Burdens in Washington, D.C. Compared with Those in the Largest City in Each State, 2011 and (II) A comparison of Selected Tax Rates in the District of Columbia with Those in the 50 States as of January 1, 2012. This information is requested annually by committees of the U.S. Congress and the District of Columbia Council. It is provided pursuant to Public Law 93-407.

Estimated Burden of Major Taxes for a Hypothetical Family of Three, 2011

\$50,000								
Rank	City	State	Taxes				Burden	
			Income	Property	Sales	Auto	Amount	Percent
1	Bridgeport	CT	549	10,256	888	559	12,252	24.5%
8	Providence	RI	920	3,876	875	632	6,304	12.6%
9	Burlington	VT	687	4,537	724	202	6,150	12.3%
10	Boston	MA	1,802	3,482	538	303	6,125	12.2%
15	Portland	ME	788	3,918	578	404	5,688	11.4%
31	Manchester	NH	0	4,165	0	258	4,423	8.8%
\$75,000								
Rank	City	State	Taxes				Burden	
			Income	Property	Sales	Auto	Amount	Percent
1	Bridgeport	CT	2,714	11,016	1,219	1,156	16,105	21.5%
12	Providence	RI	1,857	4,224	1,165	991	8,236	11.0%
13	Portland	ME	2,431	4,256	810	725	8,223	11.0%
14	Boston	MA	3,111	3,492	751	579	7,932	10.6%
15	Burlington	VT	1,457	4,944	1,002	344	7,748	10.3%
43	Manchester	NH	0	4,645	0	490	5,134	6.8%
\$100,000								
Rank	City	State	Taxes				Burden	
			Income	Property	Sales	Auto	Amount	Percent
1	Bridgeport	CT	4,207	11,299	1,351	1,170	18,027	18.0%
10	Portland	ME	4,410	4,563	880	797	10,650	10.6%
14	Providence	RI	2,990	4,483	1,276	1,050	9,799	9.8%
17	Boston	MA	4,449	3,663	794	629	9,535	9.5%
23	Burlington	VT	2,448	5,069	1,111	402	9,029	9.0%
44	Manchester	NH	0	5,020	0	537	5,557	5.6%

The Tax Foundation is a nonpartisan tax research group whose mission is to educate taxpayers about sound tax policy and the size of the tax burden borne by Americans at all levels. The Foundation publishes a report annually entitled: “The State Business Tax Climate Index”

Tax Foundation Rankings 2012 Business Climate Index January 2012

<u>Corporate Tax</u>		<u>Unemployment Tax</u>		<u>Property Tax</u>		<u>Sales Tax</u>		<u>Income Tax</u>		<u>Overall Ranking</u>	
Connecticut	25	Vermont	19	Maine	38	New Hampshire	no	New Hampshire	no	New Hampshire	6
Massachusetts	34	Connecticut	32	New Hampshire	41	Maine	yes	Maine	yes	Massachusetts	24
Rhode Island	40	New Hampshire	39	Vermont	43	Vermont	yes	Vermont	yes	Maine	37
Vermont	41	Maine	40	Rhode Island	46	Massachusetts	yes	Massachusetts	yes	Connecticut	40
New Hampshire	46	Massachusetts	49	Massachusetts	47	Rhode Island	yes	Rhode Island	yes	Rhode Island	46
Maine	47	Rhode Island	50	Connecticut	50	Connecticut	yes	Connecticut	yes	Vermont	47

Reasons for Tax Foundation’s Points Deductions

- NOL – Cap on amount of carry forward
- Tax Credits – Research & Development credits; Job Tax credits
- Alternative Minimum Tax (Amt) – Business Enterprise Tax (BET)
- Rates
- Deductibility of Depletion (similar to depreciation)
 - inconsistent with federal depletion schedules

Who is Paying NH Taxes?

“A large portion of businesses in the State are very small (< 10 employees) and include a large portion of self employed individuals ...”

“Self employed individuals and small firms (< 10 employees) make up about 85 percent of the businesses in the State, but account for approximately one-third of the employed population. Large firms on the other hand, make up roughly 15 percent of the businesses in the State, but account for two-thirds of the employed population.”

Source: 2010 RKM Research and Communication, Inc.
RKM/BIA 2011 NH Business Outlook Survey
NH Business and Industry Association

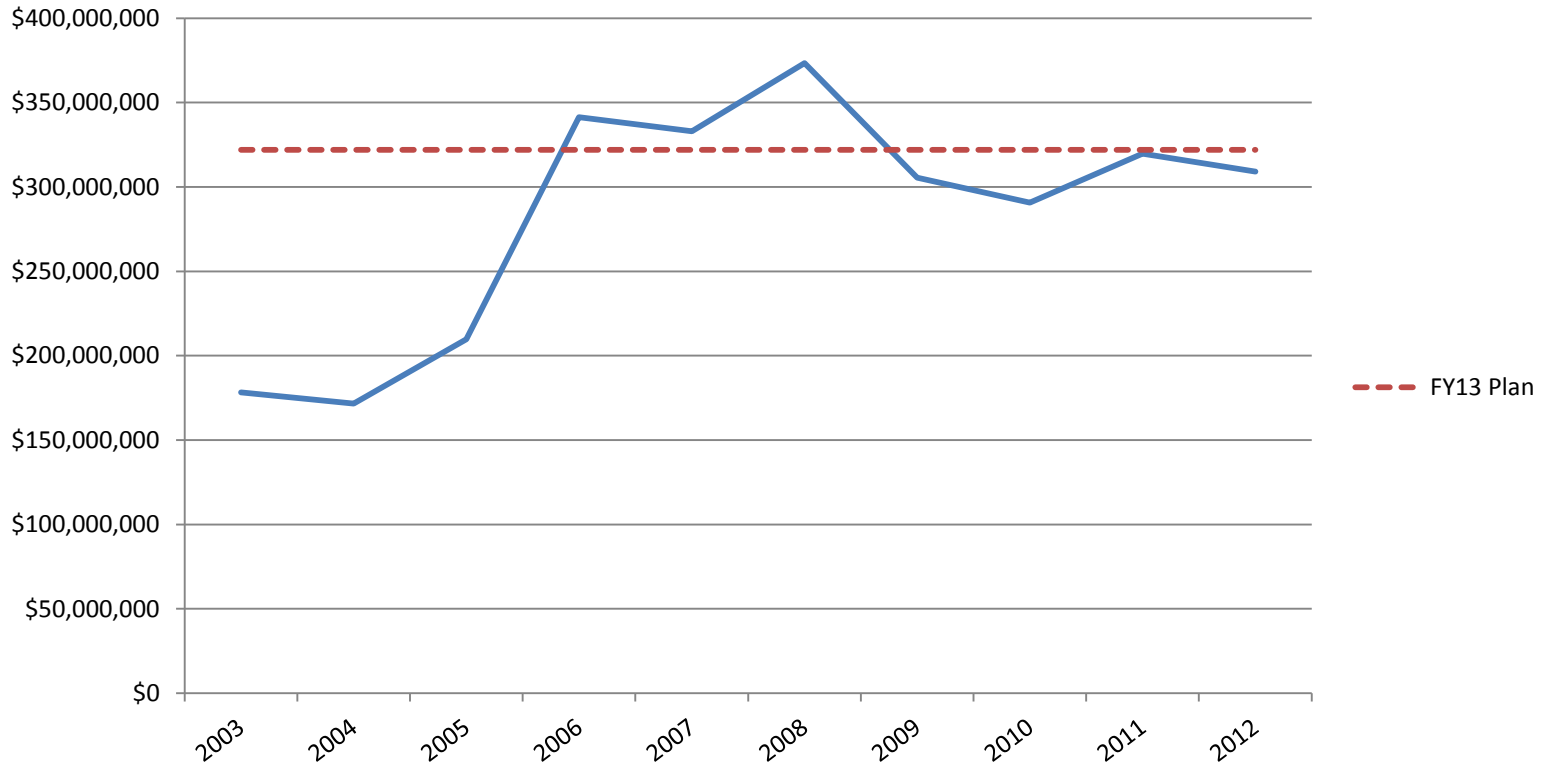
Robert Tannenwald – Senior Fellow at the Center on Budget and Policy Priorities, and former Vice President of the Boston Federal Reserve Bank.

Statement from testimony before the New Hampshire Business Tax Commission:

"Business taxes are a small percentage of total business costs. Nationwide, state and local taxes account for about 2 percent of business costs. By comparison, compensation of employees accounts for 18 percent of business costs in manufacturing and between 18 percent and 60 percent of costs in retail, services, information, and financial intermediation... New Hampshire has some of the most expensive labor in the nation...Energy costs are among the highest as well."

10 Year History of Revenues

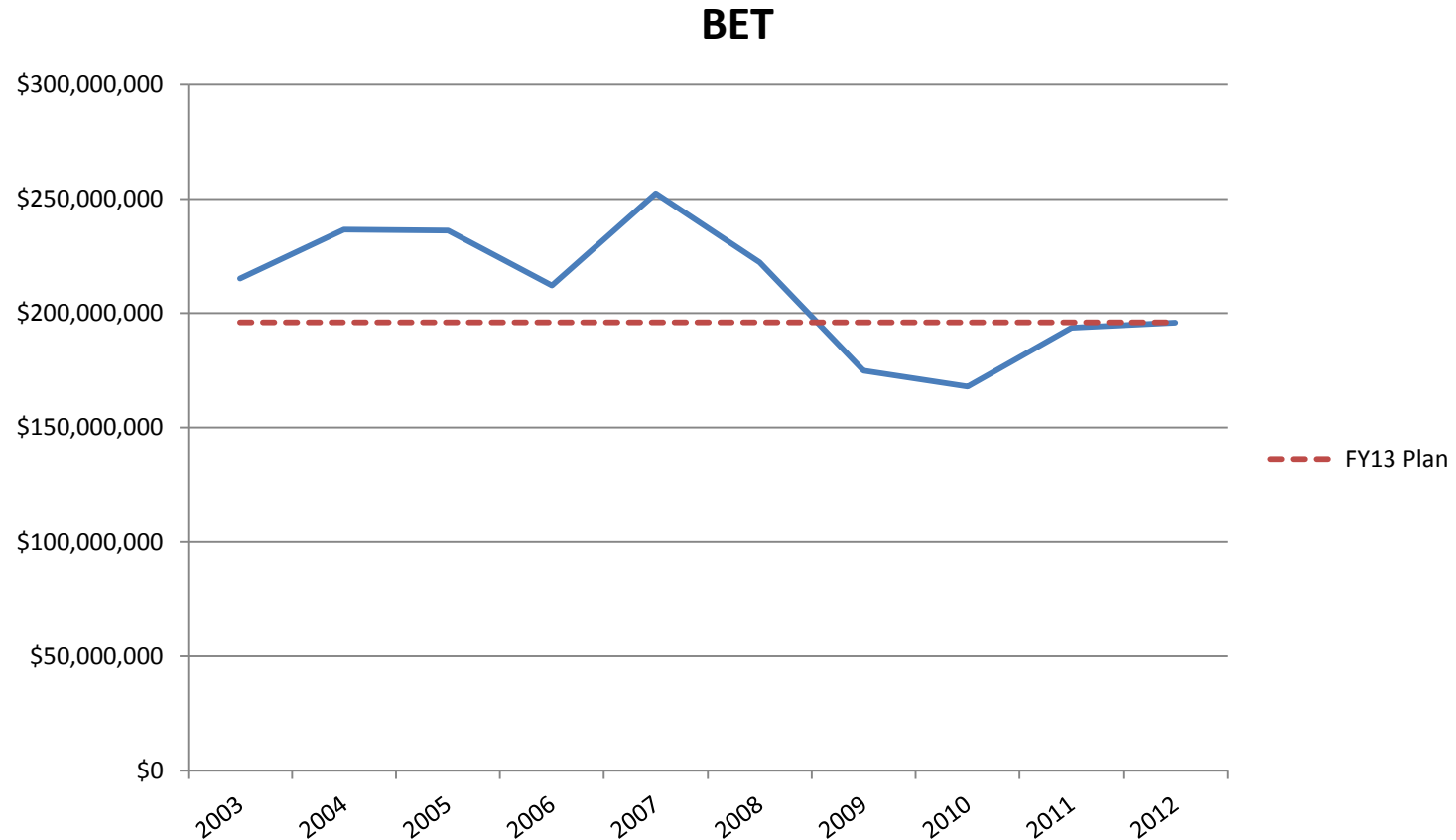
BPT



Factors Influencing Revenue:

- Economic cycle
- Credits
- Statutory changes (NOLs, thresholds, etc.)

10 Year History of Revenues

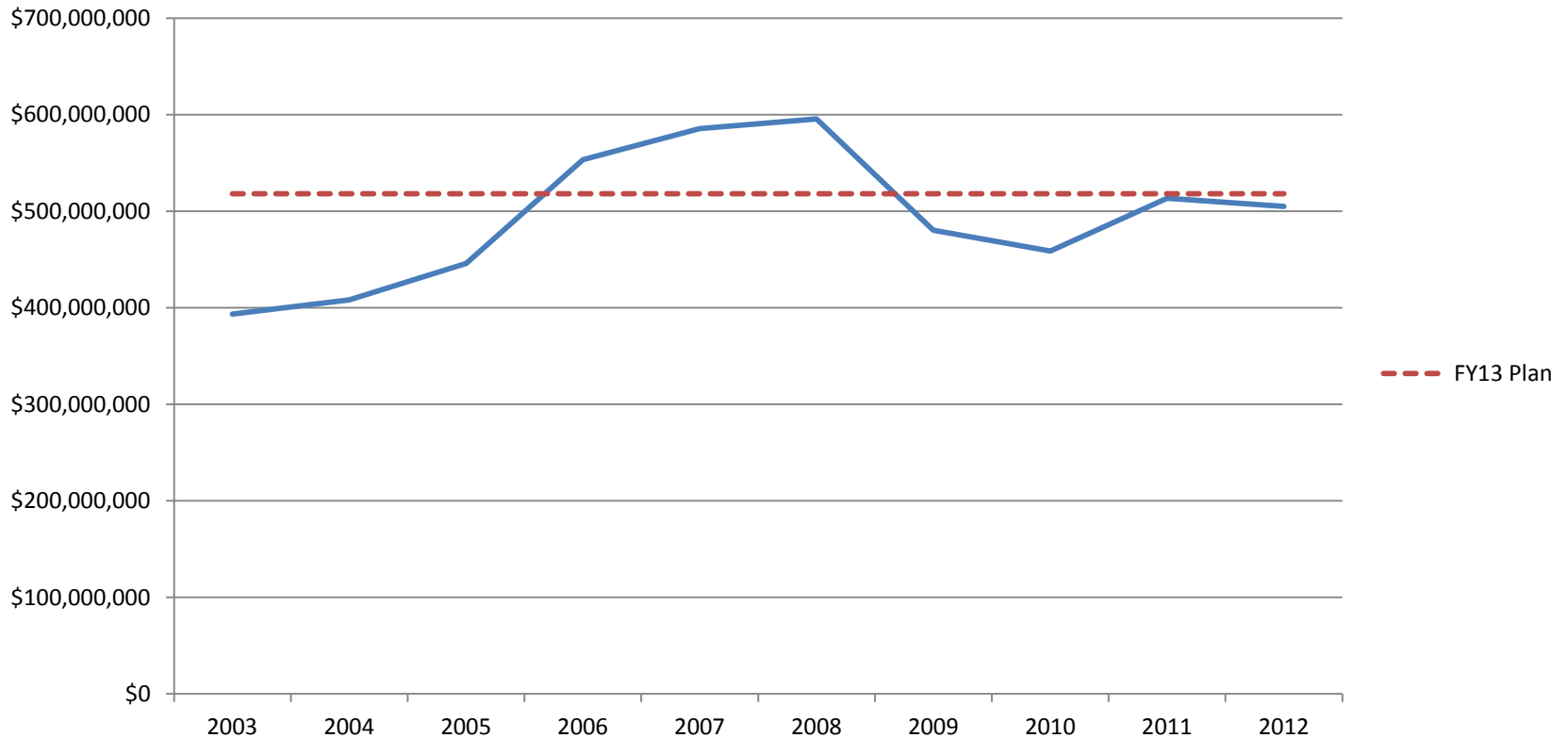


Factors Influencing Revenue:

- Employment levels and wages
- Credits

10 Year History of Revenues

BET and BPT



Factors Influencing Revenue:

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

Business Tax Stats by Tax Year and Amount of Tax Liability

All BET and BPT Entity Types

This Population includes all Corporations, Partnerships, Proprietorships, and any other Entity that Files BET and/or BPT

Tax Year 2010 Range in Tax Paid	COUNT	Sum TAX	% of POP	% of Tax Liability by POP
\$0	21,659	-	35.3%	0.0%
\$1 - \$500	10,605	2,298,543	17.3%	0.6%
\$500 - \$1K	8,221	5,973,739	13.4%	1.6%
\$1K - \$10K	16,936	53,600,225	27.6%	14.6%
\$10K - \$50K	2,995	62,403,524	4.9%	17.0%
\$50K - \$100K	417	29,055,176	0.7%	7.9%
\$100K - \$MIL	404	109,707,102	0.7%	29.9%
>\$1MIL	39	104,099,717	0.1%	28.4%
Totals:	61,276	\$367,138,025		
2010	COUNT	Sum TAX	% of Total POP	% of Total Tax Liability by POP
Corporations	22,705	\$112,723,508	37.1%	30.7%
Water's Edge	2,340	\$175,519,957	3.8%	47.8%
Partnerships	10,121	\$53,554,740	16.5%	14.6%
Proprietors	25,829	\$23,645,400	42.2%	6.4%
Fiduciaries	281	\$1,694,420	0.5%	0.5%
Totals:	61,276	\$367,138,025		
Any and all figures are unaudited and should be considered draft				

Summary of 2010 Business Taxes *

- 130,000 to 150,000 Business Entities operating in NH
 - 61,276 Business Entities filed business tax returns
 - 21,659 Business Entities filing business tax returns paid no (\$0) BET or BPT
 - 39,617 Business Entities filed business tax returns with payments totaling \$367.1m, of which
 - 860 (2.2%) of those paid 66.2% of BET/BPT (\$242.9m out of \$367.1m)
 - 687 (79.9%) are corporations paying a total of \$210,808,158
 - 141 (16.4%) are partnerships paying a total of \$28,039,029
 - 32 (3.7%) are proprietors and fiduciaries paying a total of \$4,014,806
 - The remaining 38,757 (97.8%) paid 33.8% of BET/BPT (\$124.3m out of \$367.1m)
 - Of the 38,757 Business Entities that filed and paid 33.8% of BPT/BET:
 - 10,605 (27.4%) paid under \$500 = \$2,298,543 (1.8%)
 - 8,221 (21.2%) paid \$500 - \$1,000 = \$5,973,739 (4.8%)
 - 16,936 (43.7%) paid \$1,000 - \$10,000 = \$53,600,225 (43.1%)
 - 2,995 (7.7%) paid \$10,000 - \$50,000 = \$62,403,524 (50.2%)

	BET	BPT	Combined	
Corporations	\$122,691,888	\$165,551,576	\$288,243,465	78.5%
Partnerships	\$15,496,131	\$38,058,609	\$53,554,740	14.6%
Proprietors	\$11,985,166	\$11,660,234	\$23,645,400	6.4%
Fiduciaries	\$70,518	\$1,623,902	\$1,694,420	0.5%
	\$150,243,703	\$216,894,322	\$367,138,025	

- If there are 150,000 business entities operating in the state of NH then 110,400 or 73.6% of them pay no business taxes (neither BET nor BPT)
- If there are 130,000 business entities operating in the state of NH then 90,400 or 69.5% of them pay no business taxes (neither BET nor BPT)
- When BET and BPT are split out:
 - 362 (1.0%) are paying 44.6% of BET
 - 332 (91.7%) are corporations paying a total of \$64,369,597
 - 30 (8.3%) are partnerships, proprietors and fiduciaries paying a total of \$2,649,412
 - 549 (0.9%) are paying 75.6% of BPT
 - 417 (76.0%) are corporations paying a total of \$137,182,573

Highest Corporate Tax Rates:

Iowa – 12%

Pennsylvania – 9.99%

New Jersey – 9%

Lowest Corporate Tax Rate:

Colorado – 4.63%

New England Corporate Tax Rates July 2011

1. Rhode Island 9.00% flat rate
2. Maine 3.50% to 8.95%
3. Vermont 6.00% to 8.50%
4. New Hampshire 8.50% flat rate or AMT – BET .75%
5. Connecticut 8.25% flat rate
6. Massachusetts 8.25% flat rate or 9.5% for financial institutions
(Massachusetts' rate fell from 8.8% to 8.25% in 2011 and is set to fall to 8.0% in 2012)

Reduction in BPT	
from 8.50 to 8.25	(\$9,470,588) ¹
from 8.50 to 8.00	(\$18,941,176) ¹
Unemployed in NH	38,550
Salary @ \$50,000/yr	<u> x \$50,000</u>
Taxable wages under BET of	\$1,927,500,000
BET @ .75%	<u> x .75%</u>
New BET revenue	\$14,456,250

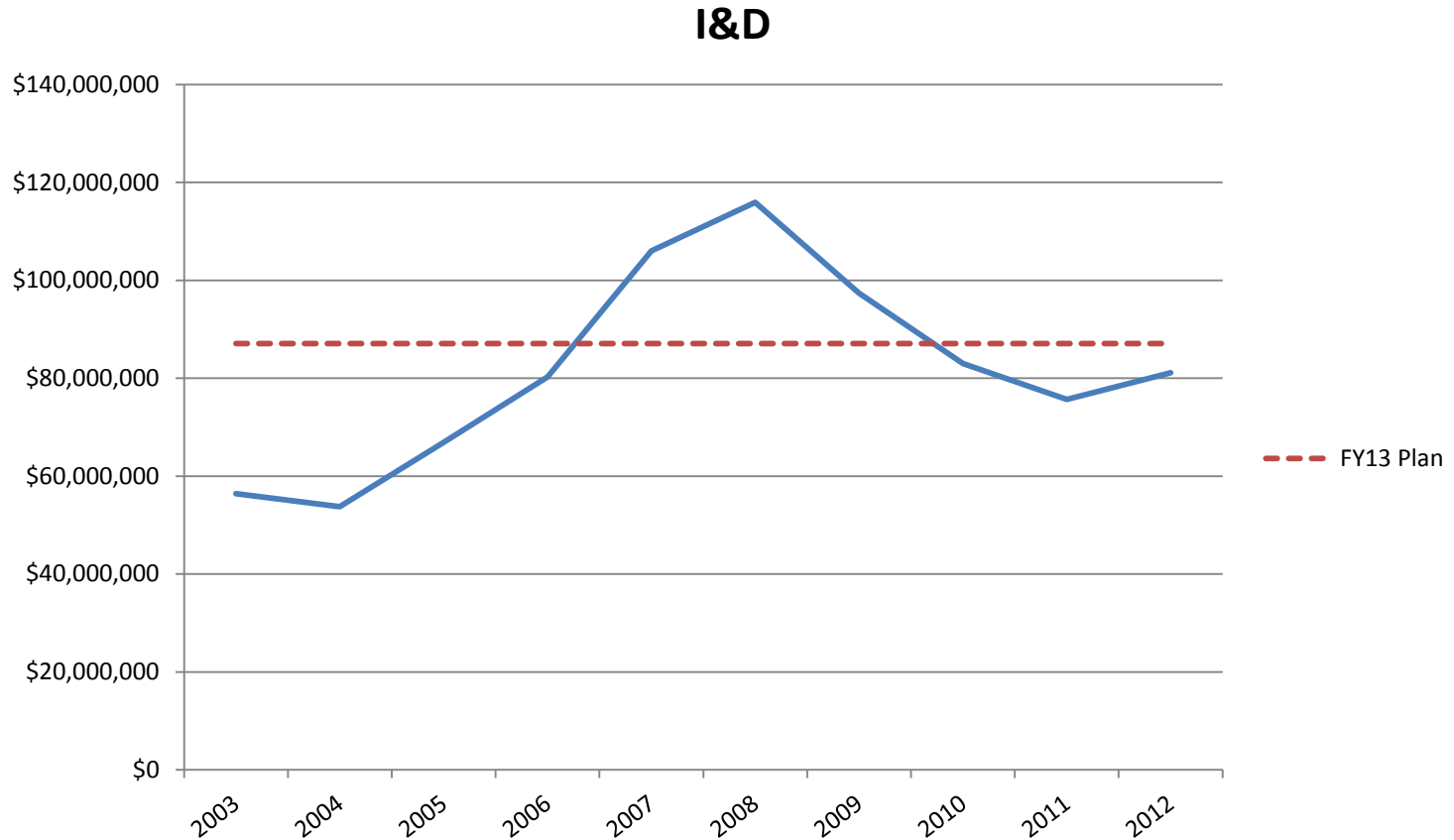
1. based on Tax Year 2010 filings

Note:

\$35,000/yr jobs = approximately 100% of 25 basis point reduction in BPT

\$65,000/yr jobs = approximately 100% of 50 basis point reduction in BPT

10 Year History of Revenues



Factors Influencing Revenue:

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

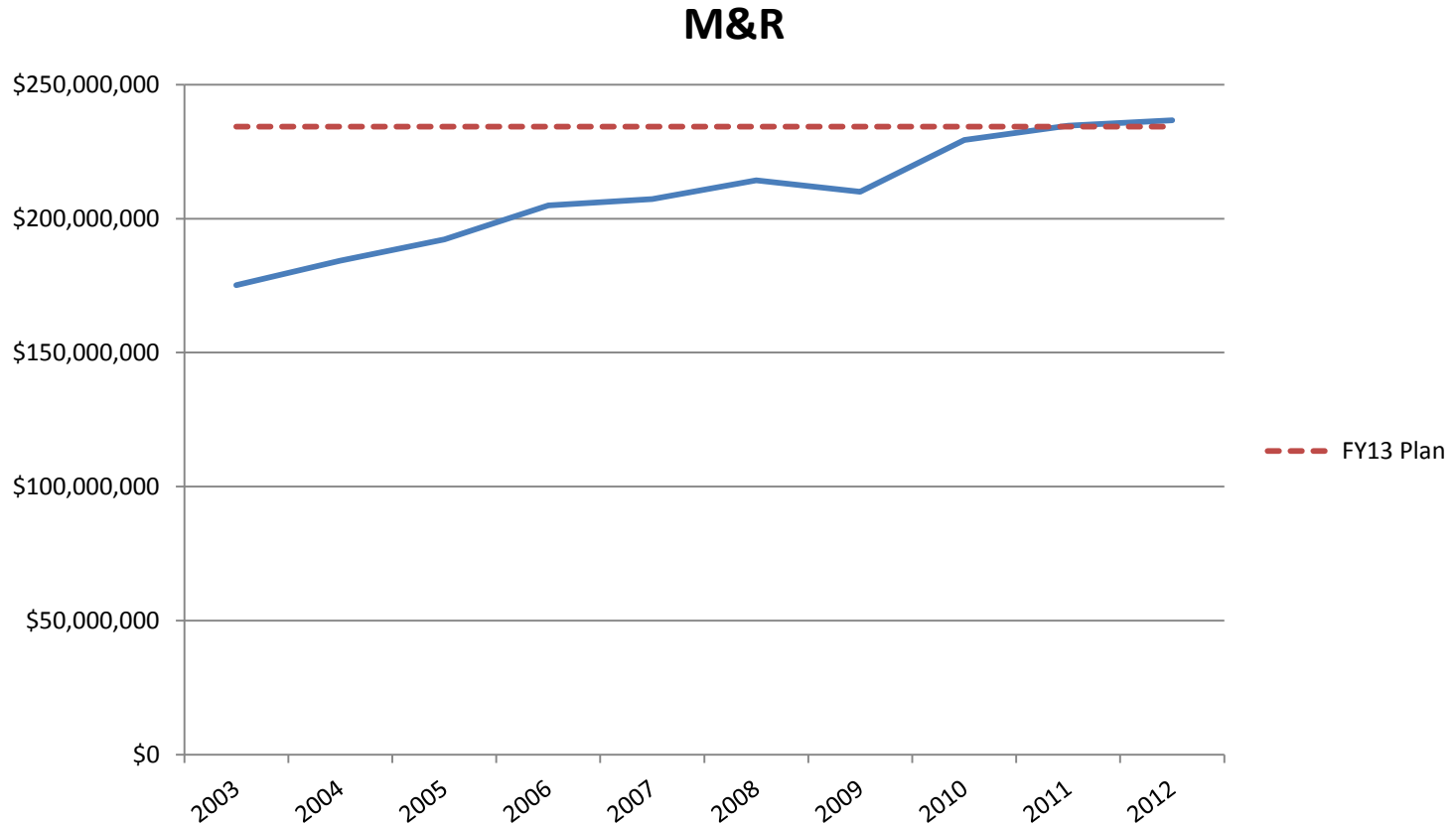
Interest and Dividends Tax Stats by Tax Year and Amount of Tax Liability

All I&D Entity Types

This Population includes all Individuals, Partnerships, Fiduciaries, and any other Entity that File I&D

[illegible]

10 Year History of Revenues



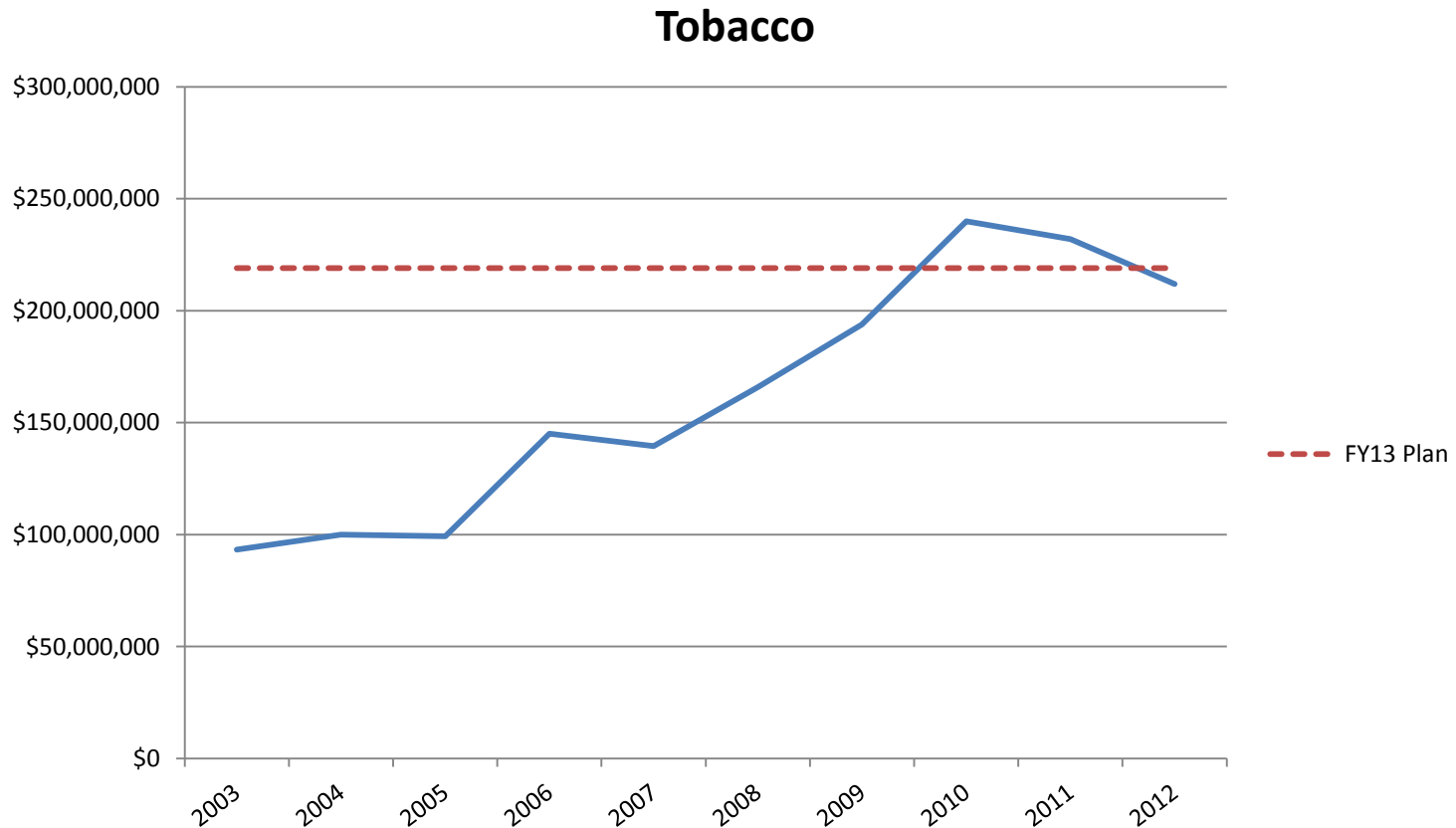
Factors Influencing Revenue:

- Unemployment
- Weather
- Travel and tourism

Meals and Rooms Tax

- For Meals and Rooms Tax received during Fiscal Years FY2002 to FY2012, on average:
 - 80.2% is meals
 - 16.2% is rooms
 - 3.6% is motor vehicles

10 Year History of Revenues



Factors Influencing Revenue:

- Relatively inelastic demand
- Downward trend of stamps sales

Tobacco Tax Stamps Sales Analysis – 5 Years

Month	FY 2013 Stamp Sales		FY 2012 Stamp Sales		FY 2011 Stamp Sales		FY 2010 Stamp Sales		FY 2009 Stamp Sales
July	10,657,200	-22%	13,593,600	26%	10,750,800	-1%	10,904,400	-33%	16,387,200
August	12,330,000	-2%	12,630,000	-2%	12,850,800	9%	11,793,600	-19%	14,534,400
September	8,343,600	-11%	9,367,200	-15%	10,957,200	-2%	11,163,600	-23%	14,410,800
October	10,893,600	11%	9,843,600	-3%	10,143,600	-4%	10,593,600	-19%	13,120,800
November	9,810,000	-6%	10,443,600	-4%	10,893,600	-4%	11,340,000	5%	10,833,600
December	8,880,000	-12%	10,080,000	-3%	10,387,200	-4%	10,780,800	-23%	13,927,200
January			7,863,600	-8%	8,580,000	1%	8,463,600	-15%	9,903,600
February			9,423,600	6%	8,857,200	-10%	9,820,800	-13%	11,227,200
March			9,210,000	-4%	9,603,600	-8%	10,413,600	2%	10,230,000
April			9,753,600	14%	8,583,600	-14%	9,967,200	-20%	12,513,600
May			11,040,000	6%	10,380,000	-5%	10,960,800	-9%	12,000,000
June			10,500,000	3%	10,237,200	-17%	12,374,400	-13%	14,294,400
Total	60,914,400		123,748,800	1%	122,224,800	-5%	128,576,400	-16%	153,382,800

Rate Increases:

July 2011 to current - A stamp rate \$2.10, B stamp rate = \$1.68

July 2009 - June 2011 stamp rate \$2.23, B stamp rate = \$1.78

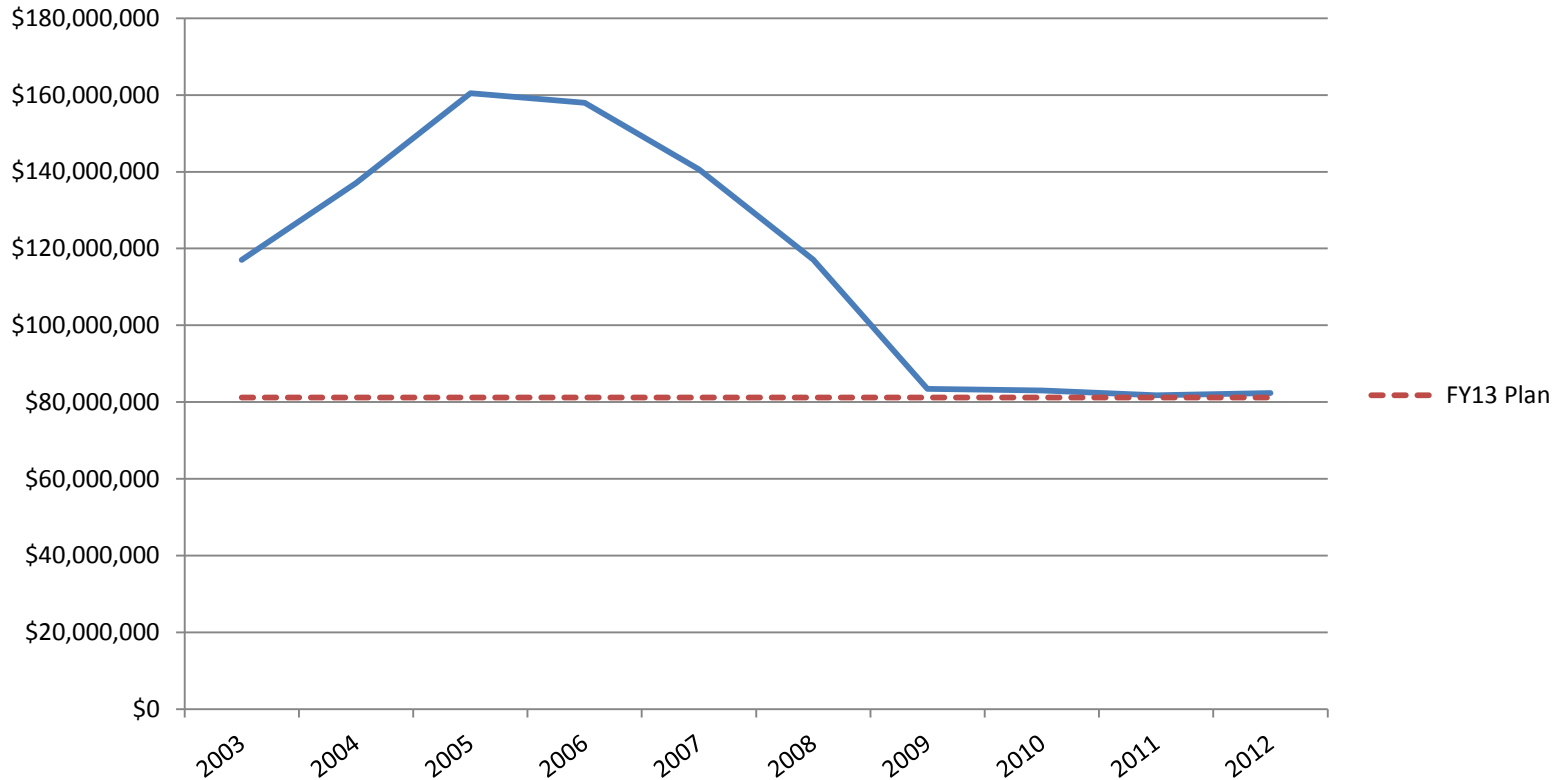
October 2008 to June 2009 - A stamp rate = 1.65 B stamp rate = \$1.33

Notes : July - September 2008 (FY09) are increased due to the rate increase legislation

July 2012 is increased due to decrease in stamp rate.

10 Year History of Revenues

RETT



Factors Influencing Revenue:

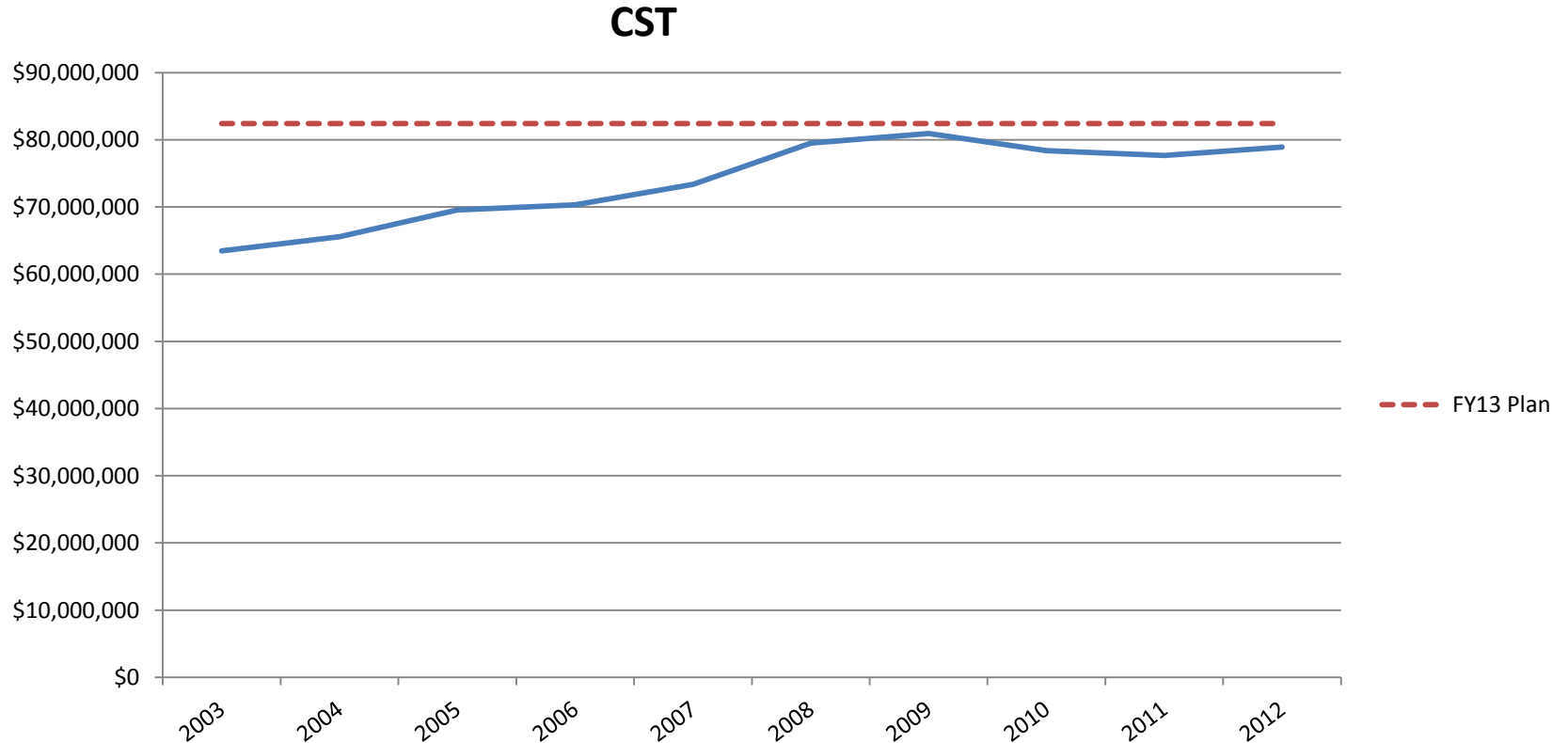
- Housing values
- Volume of transactions

Real Estate Transfer Tax

Percent of Transactions by County

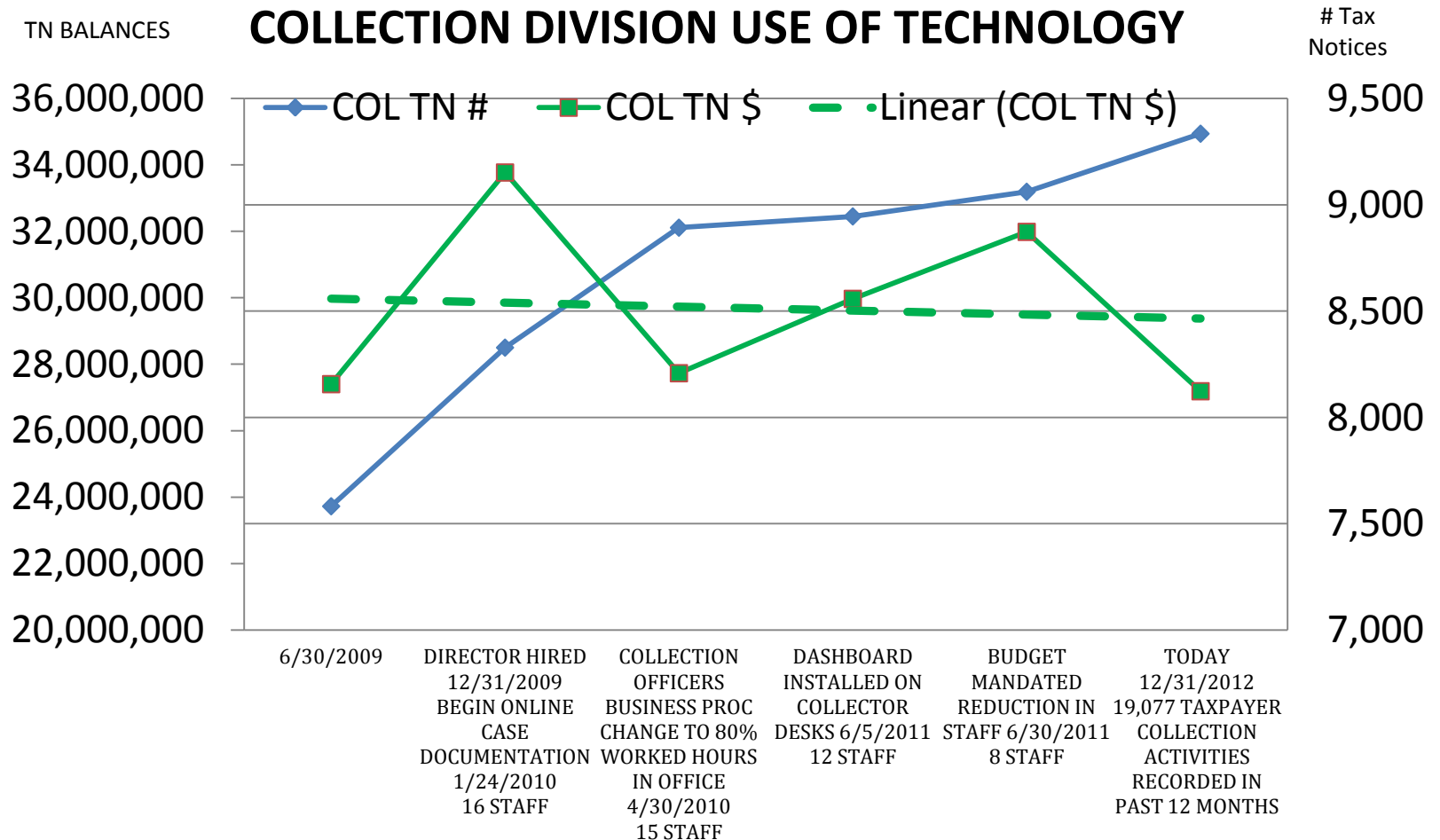
	<u>FY12</u>	<u>FY13 to Date</u>
BELKNAP	6.6%	6.8%
CARROLL	7.4%	7.8%
CHESHIRE	5.4%	5.0%
COOS	3.4%	3.3%
GRAFTON	8.1%	9.0%
HILLSBOROUGH	24.9%	24.3%
MERRIMACK	10.2%	9.8%
ROCKINGHAM	21.7%	22.5%
STRAFFORD	8.8%	8.2%
SULLIVAN	3.5%	3.2%
	<hr/>	
	100.0%	100.0%

10 Year History of Revenues



Factors Influencing Revenue:

- Taxability of internet access
- Decrease in landline



Technology assisted change in business process and priorities has resulted in a positive trend in delinquent tax notice collection, despite 50% staff reduction.

Audit Division

2009 Versus 2013

- Ad Hoc audit selection approach.
- Ad Hoc inventory system.
- No case management system.
- Little standardization in audit methodology.
- 58 filled positions.
- 12 vacant positions.
- \$38,909,813 (less federal report of change dollars).
- All resources focused on auditing and audit support.
- Documented querying and sampling methodology.
- Managed inventory system.
- CaseWare – standardized case management system.
- Best practices audit methodology.
- 24 filled auditor positions.
- 18 vacant positions.
- Tracking at \$27,000,000 (less federal report of change dollars).
- Forty percent of resources diverted to project support.

Economic Forecasts

	Surv. of Prof. Forecasters (Nov)	Wells Fargo (Jan)	WSJ (Dec)	Fed (Dec)	CBO (Aug- alternative)	OMB (July)	IMF (Oct)
economic growth, 2013	2%	1.4%	2.3%	2.3 to 3%	1.7%	2.6%	2.1%
economic growth, 2014	2.7%	2.5%	2.8%	3 to 3.5%		4%	
unemployment (end of 2013)	7.6%	7.8%	7.5%	7.4 to 7.7%	8%	7.6%	8.1% (avg)
unemployment (end of 2014)	7.4% (average)	7.5%	7%	6.8 to 7.3%	7%	7.1%	
inflation, 2013	2%	1.6%	2.1%	1.3 to 2%	1.4%	1.9%	1.8%
inflation, 2014	2.2%	1.9%	2.3%	1.5 to 2%		2%	



DRA Legislative Group

- DRA Legislative Group includes:
 - Tax Policy Analyst (Attorney);
 - Financial Analyst (Economist); and
 - Statistical Analyst (Statistician);
- Work with legislators in analyzing tax policy and fiscal impact;
- Prepare Fiscal Note Worksheets for legislation;
- Attend hearings to assist House and Senate committees deliberate on fiscal impact of legislation;
- Testify before House and Senate committees regarding tax policy and fiscal impact; and
- Assist in DRA rule and form changes as a result of any new law(s).

Fiscal Note Worksheets

**STATE OF NEW HAMPSHIRE
OFFICE OF LEGISLATIVE BUDGET ASSISTANT
FISCAL NOTE WORKSHEET**

Date Sent to Agency: 04/20/2012 LSR #: 12-2119

Agency: Department of Revenue Administration Bill #: HB 1221

Due to LBAC: 4/27/12 Amendment #(s): 12-1712s

Correction to a prior response? (Y/N): _____

State Fund(s) Affected: _____

(1) Indicate here what state funds will be affected by the bill: general funds, federal funds, or any special fund. If it is a special fund, please specify.

General: XXX Federal: _____ Other: _____

	FY 2012	FIRST BIENNIIUM		SECOND BIENNIIUM	
		FY 2013	FY 2014	FY 2015	FY 2016
State Revenue	See Section C	See Section C	Not Estimated	Not Estimated	Not Estimated
State Expenditure					
Net State Impact	See Section C	See Section C	Not Estimated	Not Estimated	Not Estimated
County Revenue	Not Applicable				
County Expenditure					
Net County Impact	Not Applicable				
Local Revenue	Not Applicable				
Local Expenditure					
Net Local Impact	Not Applicable				

NOTE: (1) List only the amount of change in the appropriate column.
 (2) Place all negative numbers in parenthesis.
 (3) You may replicate this worksheet.
 (4) Refer to Guidelines for Fiscal Note Worksheets for further information.

DRA Fiscal Note Quick Guides

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.

Thank You

“Don’t let the crisis of the moment deter you from doing what is right to make things better.”

David Adkins, Executive Director/CEO, CSG