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

This report is dedicated to Governor Craig Benson and Members of the Executive Council:

1st District – Raymond S. Burton
2nd District – Peter J. Spaulding
3rd District – Ruth L. Griffin
4th District – Raymond J. Wiezcorek
5th District – David K. Wheeler

We dedicate ourselves to our mission.

Sincerely,
Letter from the Commissioner

This has been an exciting year at the Department of Revenue Administration. To some, budget constraints appear to be insurmountable problems, to us they present opportunities. Working smarter, streamlining work flow, and automation have become key initiatives to increased production. Prior to this year all of the refund requests submitted to the Department were manually processed. Today over 60% of all refunds are automated. This led to a 7-fold decrease in the number of refunds pending at fiscal year end. Taxpayers are happier, and the state saved nearly a quarter million dollars in interest that did not have to be paid.

A key component to the effective administration of our tax laws is answering citizen’s questions. In the past year we studied taxpayer calls to find the most effective way to answer inquiries quickly. Long waits before speaking with a live person and endless transfers before getting questions answered were the public’s primary complaint. Thus, we created Centralized Customer Service with the goal of providing callers a DRA employee who could answer 80% of all questions without transferring the call. Our peak load for customer service is February through June. These months encompass our major tax filing season and the low and moderate homeowner property tax relief program. Through the efforts of our taxpayer advocate and three dedicated, highly motivated volunteer employees, we were able to answer 11,764 calls from February through May, 93% of which were answered without the need to transfer.

This was the first year of the new low and moderate income homeowner’s property tax relief program and it brought 23,000 requests for tax rebates. Because of the innovative efforts of a small group of employees, all 23,000 applicants were issued their rebates within the 120 days required by law. This year this group developed a model approach for a concept of “load sharing” that matches up the peaks and valleys of different operations in the department. The concept has led to a multi-divisional effort able to process claims not only much faster but with the added ability to track claims virtually in real time. As of June 30, 2004, we were 30 days ahead of last year’s processing of claims and our new tracking system allows taxpayers to securely check their claim status via the world wide web.

The department established a Gorham, N.H., office this year. It will soon be a full service tax administration office and optical scanning data entry facility in the “North Country”. In partnership with the Department of Environmental Services we were able to establish the Gorham facility without any additional cost. Our initial goal - to populate the office with five of our Property Appraisal staff as their principal base of operations, has been fulfilled. Our next, short-term goal is to place two data entry staff in the Gorham office by December 15th to scan and data enter our real estate tax forms. We anticipate a further staff expansion to handle all of our tax estimate forms - over 100,000 documents - in Gorham by March 2005. Our ultimate goal is to provide taxpayers, cities and towns access to the full range of DRA services in Gorham, including assistance in the completion of tax forms for individuals and businesses as well as the setting of tax rates for cities and towns.

By working better together and continuing to utilize our combined resources, our level of efficiency will continue to improve. All revenue accounts receivable have been consolidated to maximize our ability to collect all the revenue due the State. The backlog of requests by taxpayers to review their accounts has been cut 6 fold; a 2-year backlog has been reduced to 60 days. These changes and more result in a lower cost to collect New Hampshire taxes and an increased ability to provide new and better service to New Hampshire taxpayers and municipalities.

Finally, changes to the state retirement system resulted in nine of our long-time co-workers retiring this year: Maurice Gilbert, Alois Tittmann, Anthony Signorelli, Richard Theriault, Ronald Gilbert, Linda Sanford, Robert Camp, Donna Drake, and Beverly Jewell. We wish them well and are grateful for their many years of service. Their record here at the DRA will continue long into the future as a model of public service. They will be missed.

G. Philip Blatsos
Commissioner
TABLE OF CONTENTS

Division Primary Functions and Organizational Chart ................................................................. 7
Property Tax Developments ........................................................................................................... 8
Voluntary Compliance .................................................................................................................. 10
Declaratory Rulings and TIRs ................................................................................................... 10
Enforcement Compliance .......................................................................................................... 11
Legal Developments ................................................................................................................ 12
Technological Developments .................................................................................................. 14
Summary of Taxes ....................................................................................................................... 16
Revenue and Statistics ............................................................................................................. 19
Appendix of Property Tax Equalization Tables ........................................................................ 23
DIVISION PRIMARY FUNCTIONS

Administration Division - Performs administrative functions necessary to support department operations including accounting, purchasing, human resources, fleet and facility maintenance, legal, adjudicative and administrative hearings, customer service, and taxpayer advocacy.

Audit Division - Conducts audits of individuals, partnerships, estates, trusts, corporations, tax returns and documents filed with the Department to ensure compliance with New Hampshire tax laws and rules.

Office of Information Technology (Embedded Personnel) - Designs, develops and maintains computerized systems to support the administration of taxes and to automate labor-intensive functions.

Collections Division - Initiates collection activities in pursuit of delinquent tax returns and payments for all taxes administered by the Department.

Community Services Division - Provides oversight, support, education and technical assistance regarding property assessment and taxation to the political subdivisions of the state.

Document Processing Division - Receives, sends, processes, stores, and retrieves all tax documents, return payments and electronic transactions filed with the Department.

* Administratively Attached Board
PROPERTY TAX DEVELOPMENTS

Low and Moderate Income Homeowners Property Tax Relief

Effective July 1, 2002, Chapter 158 of the Laws of 2002 repealed the Education Property Tax Hardship Relief and enacted Low and Moderate Income Homeowners Property Tax Relief. The Education Property Tax Hardship Relief provisions were designed to lessen the economic burden of the education property tax on certain at-risk taxpayers. The new law expanded the eligibility criteria to include all property owners in New Hampshire, provided they own a “homestead”, or an interest in a “homestead”, subject to the education property tax and have resided in the homestead on April 1 of the year for which the claim is made. Eligible claimants also must have had total “household income” of $20,000 or less if a single person; $40,000 or less if married or “head of a New Hampshire household.”

Eligible claimants apply for relief to the Department using Form DP-8. Claimants must include a copy of their property tax bill and federal income tax return for the claim year and any additional documentation as required. Completed Forms DP-8 must be postmarked no earlier than May 1, and no later than June 30 following the due date of the final property tax bill.

In an effort to improve the processing of claims, the Department implemented a new software application and an on-line claim status check. The new software application allows the claims to be processed faster by implementation of several automated features such as pre-filled data entry fields for previous filers. The on-line claim status check allows applicants to login and view the status of their claims.

For claim year 2002, 23,606 relief checks were issued totaling over $7.7 million. All claims were processed within the time prescribed by the Legislature. For the tax year 2003, the department received over 27,000 claims from May 1, 2004 through June 30, 2004 for the year 2003 from New Hampshire property owners.

Community Services

Community Services is responsible for providing technical support and assistance to municipalities in the area of state and local property tax. The Division has four broad areas of responsibility: monitoring of the appraisal and valuation of properties, conducting annual ratio studies for determining the total equalized valuation of properties within municipalities, conducting an assessment review of specific municipalities each year, and setting municipal tax rates.

For the 2004 tax year, the Property Appraisal Division monitored 47 full revaluations and 42 partial revaluations or updates. In addition, the staff responsible for this monitoring also provided technical assistance and information as requested from virtually every town or city. Property Appraisal also was responsible for the valuation of properties for the statewide education tax, including a nuclear power plant, 15 electric companies, 9 gas companies, 3 bio-electric companies, 29 hydro-electric companies, 40 water companies, and 12 railroads, with a combined valuation of $3.3 billion. Further, the staff also processed 3658 “Intent to Cut” forms for timber harvesting, and 784 “Intent to Excavate” forms for gravel extraction.

The assessment review process was initiated for the 2003 tax year, following adoption of guidelines by the Assessing Standards Board. Informational workshops were held, field forms were developed, review procedures were established, and staff was trained to carry out this process. A total of 58 municipalities were reviewed for the 2003 tax year, with preliminary reports of the findings sent to the municipalities. Assessment reviews of 59 additional towns began for the 2004 tax year.

The equalization staff of the Property Appraisal Division produced ratios for the 2003 tax year for 234 towns and cities, and 24 unincorporated jurisdictions. The work was performed in accordance with an equalization manual that was reviewed, revised, and approved by the Equalization Standards Board. Only one appeal was filed challenging the calculated ratio, which was resolved without formal hearing. In addition, this staff assisted in reviewing the low and moderate property tax relief requests.

New computerized templates and spreadsheets were created to streamline the tax rate setting process. With the help of these innovations and a dedicated staff, processing time was minimized, resulting in quicker turnover of the certified tax rates issued to the municipalities. In addition, the Municipal Services Division conducted and participated in training work-
shops for collectors, village districts, school officials, town and city officials, the GFOA, and the municipal section of the New Hampshire Bar Association. In addition staff also conducted on-site technical assistance visits to 72 municipalities.

The Property Appraisal Division had 50 individuals recertify and 30 individuals newly certify who can complete municipal assessing work in the state until the year 2009.

The Property Appraisal Division had three Reassessment Order hearings at the Board of Tax and Land Appeals. All three ordered cases were withdrawn due to compliance with the department’s request.

The Property Appraisal Division monitored approximately 172 general maintenance assessing contracts and 144 full, partial or update revaluations.

Property Appraisal Division staff created Timber and Gravel Certification worksheets for municipal use. It provides an easier and more accurate method to calculate the timber and gravel taxes due. Currently there are approximately 50% of New Hampshire municipalities that are currently using this billing program.

The Property Appraisal Division staff created a timber and gravel tax database to monitor the timber and gravel activities in each municipality. The database provides timber species and excavated material totals that are initially planned for removal and the actual final totals when each operation is completed. Reports can be generated to give totals by municipality, county, and/or statewide totals. In addition, the information is provided to the Department of Resources and Economic Development in summarizing the total volumes cut by municipality and statewide.

In spirit of cross-utilization of resources, the Municipal Services Division staff created a utility tax database for the Property Appraisal Division Utility section. The Utility Tax database assists the Utility section with the annual utility analysis and tax billings. It accomplishes this by retaining assessed taxpayer and value “history” and capturing total assessed values by municipality and statewide. It also assists in verifying information on the MS1 form submitted by municipalities in the tax rate setting process.

The Municipal Services Division also created an assessment questionnaire database that assists the division in determining the amounts of exemptions and credits given, municipal parcels count summary and totals, the state’s largest properties, tax map compliance, and a portion of municipal assessment practices. The database uses other division forms to verify totals providing information that is more accurate.

The Equalization staff had an increase of approximately 26% in the number of municipalities who are now submitting their Municipal Assessment Sheets electronically during the calculating of equalization ratios. Electronic filings by municipalities mean less data entry for the department, fewer data entry errors, and can provide faster results in the setting process.

### Revolving Fund,

**RSA 21-J:24-a, VIII,**

**for the period**

**7/1/03 through 6/30/04:**

<table>
<thead>
<tr>
<th></th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning Fund Balance 7/1/03</td>
<td>$4,684.52</td>
</tr>
<tr>
<td>Expenditure</td>
<td>$1,092.71</td>
</tr>
<tr>
<td>Revenues</td>
<td>$839.00</td>
</tr>
<tr>
<td>Ending Fund Balance 6/30/04</td>
<td>$4,430.81</td>
</tr>
</tbody>
</table>
Voluntary Compliance - Customer Service & Education

Beginning in February of 2004, under the direction of the taxpayer advocate, the Department conducted a centralized customer service pilot project designed to respond to an increased number of taxpayer requests for assistance with greater efficiency and accuracy. The project focus was to educate and respond to public requests for tax assistance concerning the application, interpretation, and assessment of state taxes. By centralizing this public service and staffing it with 3 experienced volunteers we were successfully able to respond to 15,104 requests for assistance from February through June 2004. The program has been so well received that steps are currently being taken to make this a permanent function in the next fiscal year.

During the fiscal year ending June 2004, the Department participated in numerous educational programs designed to increase public awareness as well as guide municipal officials in developing and implementing accurate local tax administrative procedures. Department educational presentations addressed recent tax developments and changes made by the Legislature. The Department conducts a presentation at the annual UNH Tax Symposium each year which is attended by more than 300 tax professionals as well as conducting other informational seminars. A number of public meetings were held in town offices throughout the state to educate town officials and property taxpayers about the Low and Moderate Income Homeowners Property Tax Relief program.

The Customer Service Representatives will continue to participate in various tax-related initiatives throughout the next fiscal year in an effort to increase voluntary compliance through encouraging greater public awareness and understanding of state tax laws and regulations.

Declaratory Rulings FYE 6/30/04

<table>
<thead>
<tr>
<th>Number</th>
<th>Tax Type</th>
<th>Rules/Laws</th>
<th>Description</th>
<th>Effective Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>7934</td>
<td>Real Estate Transfer Tax</td>
<td>RSA 78-B</td>
<td>Defines Contractual Transfer for Real Estate Transfer Tax</td>
<td>08/14/03</td>
</tr>
</tbody>
</table>

Technical Information Releases Issued FYE 6/30/04

<table>
<thead>
<tr>
<th>TIR Number</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003-001</td>
<td>New Interest Rates Set</td>
</tr>
<tr>
<td>2003-002</td>
<td>I&amp;D Tax Class Action Refund</td>
</tr>
<tr>
<td>2004-001</td>
<td>Budget Definition</td>
</tr>
<tr>
<td>2004-002</td>
<td>Changes To The Tax Laws Relative to Qualified Investment Companies (QIC) and Qualified Investment Capital Companies (QICC)</td>
</tr>
<tr>
<td>2004-003</td>
<td>Procedures to adjust school appropriations for school year beginning 7/1/04</td>
</tr>
</tbody>
</table>
ENFORCEMENT COMPLIANCE –
AUDITS & COLLECTIONS

When voluntary compliance efforts fail to produce the desired results, enforcement through audit and collection efforts must be pursued. The Department’s Audit Division and Collections Division worked diligently to ascertain and pursue those with a tax obligation who failed to file or pay as required by law. While most taxpayers voluntarily file and pay the proper amount of taxes when due, those who do not create an unfair burden on the public, resulting in inequities that must be remedied.

IRS Co-Audit Project
The IRS and NH DRA continue to conduct joint audits of taxes. The project is intended to produce the most efficient and least burdensome audit by combining the review of federal and state tax issues rather than both agencies separately reviewing this information as part of their normal audit process. In addition, both the IRS and NH DRA learn new audit techniques by working with each other. The project’s intent is beneficial to both the taxpayer and the respective governmental agencies as it provides the taxpayer with the least amount of disruption by having the audits conducted concurrently. Practitioners have indicated support for the concept. In the past fiscal year this program has assessed in excess of $160,000 for the state.

This project currently has 5 on-going joint audits and will likely add new audits during the next fiscal year.

Non-Filer Project
During FYE June 2004, the Nexus Group of the Audit Division continued the non-filing project initiated thirteen years ago. Since its inception in 1990, this non-filer project has generated initial filing revenue exceeding $21 million. This fiscal year alone, efforts to locate non-filers generated over $2.3 million in additional revenue from 211 new taxpayers, who will now continue to file returns and pay taxes in subsequent years.

The Nexus Group has conducted significant non-compliance activities through the use of computer tape cross-matches with the Department of Employment Security. In recent years, the Nexus Group has also utilized the Internet for obtaining an array of information on out-of-state companies that conduct business activities in New Hampshire.

During the next fiscal year, the Nexus Group will continue to explore the use of computer technology with other state agencies and survey the use of technology from municipal departments across the state. The Audit Division will continue to participate in a national nexus program with numerous other states, which pursue non-filers who operate in multiple jurisdictions.

In addition to the Nexus Group activities, the Revenue Discovery Bureau works to identify non-filers of Interest and Dividends tax by utilizing information provided by the IRS. The Revenue Discovery Bureau then compares this information to returns filed with the Department. For FYE June 2004, 2,730 letters were sent causing 1,923 returns to be filed and resulting in $1,058,767 to be collected from non-filers and under reporters.

Real Estate Transfer Tax
As a result of a booming real estate market, the Audit Division began a compliance review in the fall of 2003 of individuals and businesses that appeared to have profited from the favorable market conditions. This review identified over 1,000 commercial transfers that were reported as tax-exempt gifts or a value significantly below actual considerations. The review also determined that many other taxable transfers had gone unreported. Although the project is still in its early stages, the Audit Division has assessed $3.1 million from Real Estate Transfer Tax audits, up from around $100,000 in the previous fiscal year.

Collection Activity
The Collections Division is charged with the responsibility of initiating collection activity in pursuit of delinquent tax returns and assessments of all taxes administered by the Department of Revenue Administration. This division works to obtain payment of outstanding assessments on overdue tax liabilities.

Compliance officers provide assistance to the Meals and Rentals operators to ensure proper understanding of the Department of Revenue’s rules and State regulations. Compliance officers provide taxpayers the opportunity to have questions answered promptly and in a professional manner.

An updated accounting system has been implemented for the Tobacco tax system to help reduce the manual processes and provide the taxpayer with more efficient service.
LEGAL DEVELOPMENTS

Office of Revenue Counsel

Civil cases filed in state courts and administrative appeal tribunals appealing tax assessments and challenging state taxing statutes required a significant portion of the Department’s attorneys’ time. During the fiscal year the Department’s attorneys worked on two cases pending before the N.H. Supreme Court, eighteen cases before the Superior Courts, twenty-nine cases pending before the Board of Tax and Land Appeals, and twelve cases before the Probate Courts.

Interest and Dividends Tax Lawsuit

Department attorneys provided assistance to Department of Justice attorneys as they continued to defend the State’s financial interests in Smith v. Department of Revenue. This case, a class action filed in 1995, challenged the constitutionality of the New Hampshire statute that exempted interest and dividends from the tax imposed by former RSA 77:4. In 1996 the New Hampshire Supreme Court held that this exemption discriminated against interstate commerce in violation of Article I, § 9, cl. 3 of the United States Constitution. The matter was remanded to the trial court to provide the Plaintiffs with the opportunity to prove whether they were entitled to a refund of interest and dividend taxes paid by them between 1991 and 1994. A six-day trial was held beginning on May 22, 2000. On August 15, 2000, the Superior Court concluded that the Plaintiffs met their burden of proof only as to out-of-state banks, and awarded them a tax refund of “all interest and dividend taxes paid for the years 1991-1994 on interest on any deposits in out-of-state banks and dividends from stock in out-of-state banks.” The Plaintiffs appealed to the New Hampshire Supreme Court, claiming a much broader range of financial entities were negatively affected by the discrimination. On November 25, 2002, the Supreme Court concluded its decision affirming the Superior Court’s ruling that refunds will not be issued for taxes paid on income from sources other than interest on any deposits in out-of-state banks and dividends from stock in out-of-state banks paid for the years 1991-1994. The Plaintiffs petitioned the U.S. Supreme Court to accept an appeal of the N.H. Supreme Court’s decision, but on May 5, 2003 the U.S. Supreme Court ruled that it would not accept the Plaintiffs’ appeal.

Department attorneys worked with Department of Justice and Plaintiffs’ attorneys to obtain Court approval of the refund process and approval of payment of the Class Counsel’s attorneys’ fees. Department attorneys coordinated the issuance of refunds with an inter-divisional task force assigned to issue the refunds.

As a result, a project ensued to design and implement procedures for the issuance of these refund checks. To date 4,339 refund checks worth $1,376,215 have been issued to those taxpayers involved in the decision. $669,708 in attorney fees, based upon a percentage of the gross refunds due, have also been paid. Letters of no refund due have been sent out to 10,706 taxpayers.

Increase In Property Tax Cases

Since the changes to New Hampshire’s property taxes were enacted in Chapter 17 and Chapter 338 of the Laws of 1999, the office of Revenue Counsel has experienced a steady increase in the amount of time devoted to cases relating to property taxes. During the fiscal year, nineteen Utility Property Tax cases were pending before the Supreme Court, Superior Court or the Board of Tax and Land Appeals. Additionally, eight appeals of municipalities’ equalization were pending before the Board of Tax and Land Appeals or Supreme Court. Department attorneys have also provided advice and representation with respect to the Low and Moderate Income Property Tax Relief program administered by the D.R.A. Attorneys represented the Department in fourteen Low and Moderate Homeowners Property Tax Relief appeals to the Board of Tax and Land Appeals. Finally, sixteen petitions for reassessment of municipalities’ property tax valuations were pending before the Board of Tax and Land Appeals.

Summary of Adjudicative Proceedings

During FY 2004, the Hearings Bureau experienced an increase in the number of open cases, no significant change in the time required to process a case, but an increase in the number of cases requiring a Final Order. The time required to produce a Final Order after the close of the record was increased to an average of 43.3 days, as compared to 21.7 in FY 03, a year with nearly ½ of the number of Final Orders issued than in FY 04. However, this was largely the
result of unplanned unavailability of the Hearing Officer toward the end of 2003. Of the 46 Final Orders issued in FY 04, 13 were issued after the 30-60 day scheduled production criteria timeframe. Nine of those were beyond 70 days. Some new interval procedures have been developed to attempt to eliminate late decisions. The Bureau’s goal for FY 2005 is to try to maintain an optimum level of timely performance as the caseload and schedules fluctuate throughout the year. This includes customizing the flow of individual cases through the adjudicatory process to accommodate the needs of taxpayers and the Department given the complexity of the issues in a case, or the complexity or formality of the adjudicative hearing to be held, as well as preparing Final Orders within 30-60 days of the close of the record in each case.

The following statistics summarize the activity of the Hearings Bureau during the past year as compared to the prior fiscal year:

<table>
<thead>
<tr>
<th>Category</th>
<th>FY'03</th>
<th>FY'04</th>
<th>% Chg</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appeals filed</td>
<td>133</td>
<td>139</td>
<td>5%</td>
</tr>
<tr>
<td>Cases closed</td>
<td>109</td>
<td>124</td>
<td>13%</td>
</tr>
<tr>
<td>Cases on appeal to Superior Court, BTLA, or Supreme Court</td>
<td>13</td>
<td>8</td>
<td>(39%)</td>
</tr>
<tr>
<td>Final Orders Issued</td>
<td>24</td>
<td>46</td>
<td>92%</td>
</tr>
<tr>
<td>Cases Open as of 6/30</td>
<td>137</td>
<td>163</td>
<td>19%</td>
</tr>
</tbody>
</table>

**Final Orders Issued for the Period 7/1/03 through 6/30/04**

<table>
<thead>
<tr>
<th>Tax Type</th>
<th>FY'03</th>
<th>FY'04</th>
<th>% Chg</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Taxes</td>
<td>10</td>
<td>17</td>
<td>70%</td>
</tr>
<tr>
<td>Meals &amp; Rooms Tax</td>
<td>2</td>
<td>3</td>
<td>50%</td>
</tr>
<tr>
<td>Interest &amp; Dividends Tax</td>
<td>5</td>
<td>9</td>
<td>80%</td>
</tr>
<tr>
<td>Legacy &amp; Succession Tax</td>
<td>6</td>
<td>15</td>
<td>150%</td>
</tr>
<tr>
<td>Tax Rate</td>
<td>1</td>
<td>1</td>
<td>0%</td>
</tr>
<tr>
<td>Utility Property Taxes</td>
<td>0</td>
<td>1</td>
<td>100%</td>
</tr>
</tbody>
</table>

**TOTAL ORDERS ISSUED**

<table>
<thead>
<tr>
<th></th>
<th>FY'03</th>
<th>FY'04</th>
<th>% Chg</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>24</td>
<td>46</td>
<td>92%</td>
</tr>
</tbody>
</table>
TECHNOLOGICAL DEVELOPMENTS

Internet and Telefile (eFileNH) enhancements

The Department continues with its commitment to bringing faster more efficient services to taxpayers in the form of more Internet and Telefile enhancements.

EfileNH Phase I was successfully implemented in March 2003, allowing taxpayers to file Business Enterprise and Profits Tax, Interest & Dividends Tax estimates, extensions and return payments via the web. An important feature available to tax processors or those who make multiple payments for clients is the web import. A debit transaction can be made to individual bank accounts authorized each time a file of client payments is imported. The web importer must set up the record layout the first time and thereafter simply export the file to us. The Department validates the information on-line and identifies any records that need correcting.

Phase II was successfully implemented in October of 2003. In this phase, Meals & Rental Tax return payments, tax notice payments for all tax types and Interest & Dividend returns with payments or zero balance due became available. Meals and Rental ("M&R") operators now have the flexibility to file via Telefile or through the Internet, change their own bank information, and view their own e-Filed & Telefiled transactions via the web. Also, a toll-free telephone number was established for the M&R operators who wish to continue filing via Telefile.

Internet and Telefile filing benefits the taxpayers by reducing the amount of time Department employees are required to devote to processing paper transactions. For example, it takes an average of ten separate employees to handle the estimate/extension form. This includes but is not limited to mail openers, cashiers, data entry, and file clerks. Approximately 14 hours are committed to processing 500 extension and estimate payments. The Department processes approximately 175,000 paper estimates/extension each year. Internet filing just these two forms has the potential to allow employees to devote approximately 5000 hours annually to other tasks. These other tasks will have a direct benefit to the taxpayers and residents of New Hampshire in that it will allow greater concentration on expediting abatement requests, refund requests, and more timely issuance of tax notices. The Internet & Telefile application is hosted at an off-site data center, which provides 24 hour 7 days a week maintenance services. The Department hopes that offering alternative methods of filing which are convenient and easy will help increase voluntary compliance.

From July 2003 through June 2004, the Department has processed over 12,000 Internet and 43,000 Telefile transactions totaling more than $187 million.

Document Imaging

The Department has embarked on a new Document Imaging project. In April 2004, the Department purchased two document-scanning machines. Each of these machines has the capability to scan up to 50 documents per minute. After the documents are scanned, any key information is captured and stored with the images. This scanning process will increase the speed of the current data entry process, allow for faster systems development time, and provide users with a faster document retrieval process. The data and stored images will be available for various Department users. Initially, the Department will start to scan the Real Estate Transfer forms. Other forms will be added with time.

2D Barcode

The Department continues to work with the National Association of Computerized Tax Processors to supply software vendors with record layouts in order to process Interest & Dividends Tax Returns and estimated payments with 2 dimensional bar codes, called 2D. A 2D barcode is essentially a barcode that has been flipped on its side and contains multiple rows of data.

Documents are batched and scanned into a PC application and uploaded to the Department’s overnight system and posted to the taxpayer’s account nightly. It saves the Department 90% of the usual manual processing time. In addition, keying errors are reduced and re-work and suspense transaction volume are significantly decreased. Refund transactions are generated in a more timely fashion, and taxpayer accounts are up-to-date faster.

From July 2003 through June 2004, the Department has processed over 32,000 2D bar-coded payment transactions totaling more than $13 million as well as over 7,000 refund transactions for more than $4 million.

This year the scanning system was enhanced to increase the number of edit checks to the scanned information before submitting to overnight processing, which decreased the number of documents that...
error suspended. The scan time for a batch of 25 returns is approximately 2 minutes and 5 minutes for a batch of 50 estimates, resulting in a savings of over 770 hours of data entry time annually. The error rate remains at less than 2%.

**Technology Goals for the Future**

The Department has developed an Information Technology (IT) plan to guide the short and long term establishment of well-planned and designed information systems to support program mandates. The IT plan establishes priorities based on the Department’s business goals and objectives utilizing an integrated tax philosophy and incorporating, where feasible, new technology trends. The Department’s strategy will also address public concerns about the digital age: privacy and confidentiality and universal access.

The Department has embraced the goals outlined in the Governor’s report of Information Technology Strategic Planning Commission. Specifically, that information technology is used to more effectively serve the people of New Hampshire. The Department will focus on the following IT strategy for Internet use as defined in the commission report:

1. To improve the access and convenience of state government services, information, and political processes.
2. To accelerate the activities and services of state government, making them more responsive and timely.
3. To lower the cost of state government.

**Department Web Site**

Taxpayers utilize the Department’s web site daily to access forms, publications, laws, administrative rules, property tax rates, and other useful state tax information. The layout was redesigned this fiscal year to adhere to the state’s established web standards.

The Taxpayer Advocate and the Forms Development Specialist have been working diligently to increase the number of state tax forms made available to the public electronically and to provide on-line fill-in forms for those individuals who prefer to complete them using their personal computer. We continue to analyze and evaluate new methods to provide electronic access to state resources.

This year, the IT Division created an on-line status search function for the Low and Moderate Income Homeowner’s Property Tax Relief program to allow applicants to check the current status of their claim form. In its first three months of operation, this search function was accessed by 5,810 visitors outside of the Department, which demonstrates its success and popularity with New Hampshire residents.

Information on the Department’s web site content will be maintained, reviewed, and updated by Customer Service Representatives throughout the next year to identify improvements, updates and additions that will enable this frequently used tax resource to continue to serve as a valuable educational tool for the public.
SUMMARY OF TAXES & GENERAL INFORMATION

BUSINESS PROFITS TAX - RSA 77-A

The Business Profits Tax (BPT) has historically been one of the largest sources of general fund revenue. Enacted in 1970 as a replacement for the municipal property tax on stock-in-trade, farm livestock, poultry, fuel pumps, mills and machinery, the initial rate was established at 6%. The rate steadily increased to a high of 9.56% in FY 1983. The rate then decreased to 7% beginning FY 1995, then increased to 8% for tax years ending on or after 7/1/99. The current rate of 8.5% was effective for all returns and taxes due on account of taxable periods ending on or after July 1, 2001. This tax is assessed on income from conducting business activity within the state. For multi-state businesses, income is apportioned using a weighted sales factor of 2 and the standard payroll and property factors. Organizations operating a unitary business must use combined reporting in filing their NH return. Four annual estimate payments are required on liabilities greater than $200, paid at 25% each. Proprietorship, partnership and fiduciary returns are due on April 15th or the 15th day of the 4th month following the end of the taxable year. Corporate returns are due on March 15th or the 15th day of the 3rd month following the end of the taxable year. Organizations with $50,000 or less of gross receipts from all their activities are not required to file a return.

BUSINESS ENTERPRISE TAX - RSA 77-E

In 1993, a 0.25% (.0025) tax was enacted on taxable enterprise value tax base, which is the sum of all compensation paid or accrued, interest paid or accrued, and dividends paid by the business enterprise after special adjustments and apportionment. Chapter 17, Laws of 1999 increased the rate from 0.25% to 0.5%. The rate was increased to 0.75% in 2001. Also, the filing threshold increased to $150,000 of gross business receipts or $75,000 of the enterprise value tax base. Four annual estimate payments are required on liabilities greater than $200, paid at 25% each on the 15th day of the 4th, 6th, 9th and 12th months of the taxable year. The tax return is due at the same time the Business Profits Tax return is due.

COMMUNICATION SERVICE TAX - RSA 82-A

First enacted in 1990 at 5.5% this tax was assessed upon two-way communications services. Chapter 158, Laws of 2001, increased the permanent portion of the tax to 4.5% and continued the surtax of 2.5% resulting in an overall tax rate of 7% for the period beginning July 1, 2001 and ending June 30, 2003. A permanent rate of 7% was passed effective July 1, 2003. Retailers must register with the department and are required to collect the tax. Returns must be filed on the 15th day of the month for the preceding calendar month unless the average monthly liability is less than $100. Any retailer who can reasonably estimate their average monthly liability to be in excess of $10,000 is required to make an estimated payment equal to 90% of the actual tax collected. This payment is due on or before the 15th day of the month during which the liability is incurred.

INTEREST & DIVIDENDS TAX - RSA 77

The Interest & Dividends (I&D) tax, which was first enacted in 1923, applied a tax based on the “average rate of property taxation” upon the I&D income received by NH residents from sources other than NH and Vermont banks. The tax was changed significantly in FY 1995 to eliminate the exemption on income from NH and Vermont banks. In conjunction with this change, the personal exemption was increased from $1,200 to $2,400. Additional $1,200 exemptions are available for residents who are 65 years of age, who are blind, and who are handicapped and unable to work, provided they have not reached their 65th birthday. The current tax rate of 5% has remained the same since FY 1977.
LEGACY & SUCCESSION TAX - RSA 86 Legacy & Succession
RSA 87 Estate Taxes
RSA 89 Transfer Tax on Personal Property of a Non-Resident Decedent

The Legacy & Succession Tax was first enacted in 1905. Chapter 158, Laws of 2001 repealed the Legacy and Succession Tax for property passing as a result of deaths occurring on or after January 1, 2003. The tax rate at the time of repeal, 18%, is assessed upon property passing to collaterals or “strangers of the blood”. Chapter 232, Laws of 2002, repealed the Transfer tax on Personal Property of a Non-resident Decedent for property passing as a result of deaths occurring on or after January 1, 2003. There is a 2% tax on all personal property within the jurisdiction of the state, which belonged to non-residents. No tax is assessed on any amount passing to a spouse, lineal ascendants and descendants (including children & grandchildren by adoption, step-children & step-grandchildren) and their spouses, or charities. An Estate Tax is provided to absorb the difference between state taxes and the credit allowable against the federal estate tax. The administrator or executor of the estate has total compliance responsibility for timely filing the return and paying taxes owed.

MEALS & RENTALS TAX - RSA 78-A

The M&R tax was enacted in 1967 at a rate of 5%. Currently at 8%, the tax is assessed upon patrons of hotels and restaurants, on rents and upon meals costing $.36 or more. Chapter 17, Laws of 1999, amended the language to include an 8% tax on the “gross rental receipts” from the rental of motor vehicles, effective 7/1/99. The tax is paid by the consumer to an authorized M&R operator. An M&R Tax Operator’s License is required. The operator maintains books and records showing the amount of tax collected and remits the tax monthly to the state, less a 3% commission. The tax is required to be remitted to the State on the 15th day of the month following the collection of tax.

REAL ESTATE TRANSFER TAX - RSA 78-B

The Real Estate Transfer tax was first enacted in 1967. Chapter 17, Laws of 1999, increased the permanent tax rate assessed on the sale, granting, and transfer of real estate and any interest in real estate to $.75 per $100, or fractional part thereof, of the price or consideration. This rate is assessed on both the buyer and seller for a combined tax rate of $1.50 per $100. Where the price or consideration is $4,000 or less, there is a minimum tax of $20 assessed on both the buyer and seller. Chapter 158, Laws of 2001, removed the exception from the tax on transfer of real property for transfers of title pursuant to a merger, consolidation or other reorganization qualifying as a tax-free reorganization. It also removed the exception of the transfer of title from one business entity to another, the ownership interest of which may be the same. These changes were effective for transfers occurring on or after July 1, 2001. The tax is paid at the Register of Deeds office in the county where the property is located. A Declaration of Consideration (Form CD-57) must be filed with the Department of Revenue Administration.

STATE EDUCATION PROPERTY TAX - RSA 76:3

Under Chapter 17, Laws of 1999, the state education property tax was established. The tax is assessed and collected by municipalities. The rate was originally $6.60 per thousand of equalized valuation. It appears on the same bill with the other property taxes administered at the local level. The effective date of this tax was April 1, 1999. Chapter 158, Laws of 2001 reduced the rate from $6.60 per $1,000 of value to $4.92 per $1,000 of value beginning with the April 1, 2003 tax year (school year 7/1/03-6/30/04). The sunset provision of the state education property tax was repealed, making the tax a permanent revenue source dedicated to funding education.

UTILITY PROPERTY TAX - RSA 83-F

Utility property is defined as “all real estate, buildings, and structures, machinery, dynamos, apparatus, poles, wires, fixtures of all kinds and descriptions, and pipe lines located within New Hampshire employed in the generation, production, supply, distribution, transmission, or transportation of electric powered or natural gas, crude petroleum and refined petroleum products or combination thereof, water, or sewage.” The tax rate is $6.60 per $1,000 of value of utility property. On December 1 of each year the department determines the value of utility property as of the previous April 1. The effective date was April 1, 1999.

LOCAL REAL ESTATE TAX - RSA 76

Property taxes, based upon assessed valuation, are assessed, levied and collected by cities and towns.
TAX EXEMPTION, CREDIT AND DEFERRAL AGAINST PROPERTY TAXES

Current Use assessment (RSA Chapter 79-A) is available for land qualifying in the following categories: Farm Land, Forest Land, Unproductive Land. Applications for Current Use must be filed with the local assessing officials on or before April 15th.

Application Date: The permanent application (Form PA-29) for tax exemption, credit and deferral is available from the local assessing officials. For the 2004 tax year, the application must be filed with the local assessing officials by March 1st, 2005, unless granted an extension pursuant to RSA 76:16-d.

Option: Effective January 1, 1998, RSA 72:33 allowed municipalities, through town meeting or a city council, to adopt August 1st as the filing date for the Elderly Exemption. Check with the municipality to determine specific filing dates.

Elderly Exemption: Effective July 23, 1996, RSA 72:39-a replaced the Standard, Expanded, Adjusted and Optional Adjusted Elderly Exemptions. The statute sets the minimum exemptions, and the cities and towns may modify them. The statutory exemption levels for all municipalities are adopted by each individual municipality.

- Amount of exemption from value of residential real estate: Ages 65-74; 75-79; and 80+
- Net Income Limits, including Social Security Income or pension payment Net Asset Limits

Blind Exemption - RSA 72:37

The exemption for the legally blind must be adopted by the municipality. The exemption is a minimum $15,000 reduction of the assessed value of the residential real estate (RSA 72:29) and could be higher if amended through referendum vote.

Deferral for the Elderly or Disabled - RSA 72:38-a

The assessing officials “... may annually grant a person qualified under this paragraph a tax deferral...” Property taxes are deferred and accrue interest at the rate of 5% per annum. The deferred property tax may not exceed more than 85% of the equity value of the residence. If granted by the assessing officials, the deferral is available to any resident property owner who is 65 years or older, or eligible for benefits for the totally and permanently disabled under the federal social security act, has owned the home for at least five years, and is currently residing there.

Veterans Tax Credit - RSA 72:28

Qualifying residents shall receive the following amounts deducted from their tax bills:

- $50: Basic credit available to all veterans.
- $700: For the surviving spouse of a veteran, pursuant to RSA 72:29-a, and veterans having a total and permanent service-connected disability pursuant to RSA 72:35

Towns may adopt a local option to increase the above dollar amounts to $100 and $1,400.

Disability Exemption - Residents who qualify under RSA 72:36-a as totally and permanently disabled from service connection, and is paraplegic or having double amputation from military service connected disability or blind (5/200 vision or less) as a result of service connection, and owning a specially adapted home acquired with V.A. assistance are exempt from all taxation on that home.

Tax Exemption for Improvements to Assist Persons with Disabilities - RSA 72:37-a

This exemption is limited to a physically handicapped person who resides at the residential real estate, and is applicable only upon the value of any special aids required by the resident to enable them to propel themselves.


These exemptions are optional to the cities and towns, and must be voted upon locally. If further information is required, contact the assessing officials of the municipality.

Tax Exemption for the Disabled - RSA 72:37-b

Available to persons eligible under the Social Security Act for benefits to the Totally & Permanently Disabled. Applicable only on the applicant's principal place of abode. The exemption is optional and must be voted on by the municipality, which also determines the amount of the exemption and the income/asset limitations.
## RECEIPTS AND EXPENDITURES AS OF JUNE 30, 2004

### RECEIPTS

<table>
<thead>
<tr>
<th>Description</th>
<th>FY 03</th>
<th>FY 04</th>
<th>% of Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax Collections</td>
<td>1,025,121,830</td>
<td>1,041,262,944</td>
<td>1.57%</td>
</tr>
<tr>
<td>License Fees</td>
<td>35,750</td>
<td>60,240</td>
<td>68.50%</td>
</tr>
<tr>
<td>Appraisal Fees</td>
<td>12,500</td>
<td>10,900</td>
<td>(12.80%)</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>1,025,170,080</strong></td>
<td><strong>1,041,334,084</strong></td>
<td><strong>1.58%</strong></td>
</tr>
</tbody>
</table>

### EXPENDITURES

<table>
<thead>
<tr>
<th>Description</th>
<th>FY 03</th>
<th>FY 04</th>
<th>% of Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Classified</td>
<td>6,168,846</td>
<td>5,833,051</td>
<td>(5.44%)</td>
</tr>
<tr>
<td>Unclassified</td>
<td>1,483,333</td>
<td>1,511,560</td>
<td>1.90%</td>
</tr>
<tr>
<td>Benefits</td>
<td>2,858,144</td>
<td>2,878,897</td>
<td>0.73%</td>
</tr>
<tr>
<td>Other</td>
<td>10,574</td>
<td>7,584</td>
<td>(28.28%)</td>
</tr>
<tr>
<td><strong>SUBTOTAL</strong></td>
<td><strong>10,520,897</strong></td>
<td><strong>10,231,092</strong></td>
<td><strong>(2.75%)</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Description</th>
<th>FY 03</th>
<th>FY 04</th>
<th>% of Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Expense</td>
<td>1,303,751</td>
<td>1,201,881</td>
<td>(7.81%)</td>
</tr>
<tr>
<td>Equipment</td>
<td>412,568</td>
<td>95,533</td>
<td>(76.84%)</td>
</tr>
<tr>
<td><strong>SUBTOTAL</strong></td>
<td><strong>1,716,319</strong></td>
<td><strong>1,297,414</strong></td>
<td><strong>(24.41%)</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Description</th>
<th>FY 03</th>
<th>FY 04</th>
<th>% of Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>In-State</td>
<td>71,699</td>
<td>57,429</td>
<td>(19.90%)</td>
</tr>
<tr>
<td>Out-of-State</td>
<td>117,837</td>
<td>87,369</td>
<td>(25.86%)</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>402,121</td>
<td>341,268</td>
<td>(15.13%)</td>
</tr>
<tr>
<td><strong>SUBTOTAL</strong></td>
<td><strong>591,657</strong></td>
<td><strong>486,065</strong></td>
<td><strong>(17.85%)</strong></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>12,828,873</strong></td>
<td><strong>12,014,571</strong></td>
<td><strong>(6.35%)</strong></td>
</tr>
</tbody>
</table>

### DISBURSEMENT/TOWNS

<table>
<thead>
<tr>
<th>Description</th>
<th>FY 03</th>
<th>FY 04</th>
<th>% of Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Flood Control</td>
<td>573,273</td>
<td>659,150</td>
<td>14.98%</td>
</tr>
<tr>
<td>Forest Land</td>
<td>242,996</td>
<td>196,314</td>
<td>(19.21%)</td>
</tr>
<tr>
<td>Recreational</td>
<td>717</td>
<td>199</td>
<td>(72.28%)</td>
</tr>
<tr>
<td>Concord</td>
<td>81,380</td>
<td>81,380</td>
<td>0.00%</td>
</tr>
<tr>
<td>Education Reimb Munic</td>
<td>0</td>
<td>0</td>
<td>0.00%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>898,366</strong></td>
<td><strong>937,043</strong></td>
<td><strong>4.31%</strong></td>
</tr>
</tbody>
</table>
## Revenue Breakdown by Source

<table>
<thead>
<tr>
<th></th>
<th>FY 03</th>
<th>FY 04</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Profits Tax</td>
<td>178,180,669</td>
<td>171,568,053</td>
<td>(6,612,616)</td>
</tr>
<tr>
<td>Business Enterprise Tax</td>
<td>215,200,349</td>
<td>236,627,334</td>
<td>21,426,985</td>
</tr>
<tr>
<td>Meals &amp; Rentals Tax</td>
<td>175,114,686</td>
<td>184,259,685</td>
<td>9,144,999</td>
</tr>
<tr>
<td>Tobacco Tax</td>
<td>93,267,036</td>
<td>100,040,497</td>
<td>6,773,461</td>
</tr>
<tr>
<td>Interest &amp; Dividends Tax</td>
<td>56,417,343</td>
<td>53,769,043</td>
<td>(2,648,300)</td>
</tr>
<tr>
<td>Estate &amp; Legacy Taxes</td>
<td>68,193,847</td>
<td>35,050,805</td>
<td>(33,143,042)</td>
</tr>
<tr>
<td>Communications Svns Tax</td>
<td>63,452,424</td>
<td>65,595,263</td>
<td>2,142,839</td>
</tr>
<tr>
<td>Real Estate Transfer Tax</td>
<td>117,003,621</td>
<td>137,018,703</td>
<td>20,015,082</td>
</tr>
<tr>
<td>Excess State Ed Prop Tax</td>
<td>32,666,031</td>
<td>29,843,911</td>
<td>(2,822,120)</td>
</tr>
<tr>
<td>Utility Property Tax</td>
<td>18,833,596</td>
<td>20,159,763</td>
<td>1,326,167</td>
</tr>
<tr>
<td>Electricity Consumption Tax</td>
<td>6,024,844</td>
<td>6,217,227</td>
<td>192,383</td>
</tr>
<tr>
<td>Other (includes RR)</td>
<td>815,634</td>
<td>923,468</td>
<td>107,834</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td><strong>1,025,170,080</strong></td>
<td><strong>1,041,073,752</strong></td>
<td><strong>15,903,672</strong></td>
</tr>
</tbody>
</table>

* Changed from franchise tax on 5/1/01

## Transfers to Education Trust Fund From:

<table>
<thead>
<tr>
<th></th>
<th>FY 03</th>
<th>FY 04</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Profits Tax</td>
<td>(37,100,000)</td>
<td>(41,000,000)</td>
<td>3,900,000</td>
</tr>
<tr>
<td>Business Enterprise Tax</td>
<td>(121,400,000)</td>
<td>(116,900,000)</td>
<td>(4,500,000)</td>
</tr>
<tr>
<td>Meals &amp; Rentals Tax</td>
<td>(6,750,422)</td>
<td>(6,966,180)</td>
<td>215,758</td>
</tr>
<tr>
<td>Real Estate Transfer Tax</td>
<td>(38,998,817)</td>
<td>(45,639,512)</td>
<td>6,640,695</td>
</tr>
<tr>
<td>Tobacco Tax</td>
<td>(26,757,343)</td>
<td>(28,588,918)</td>
<td>1,831,575</td>
</tr>
<tr>
<td>Excess State Ed Prop Tax</td>
<td>(32,666,031)</td>
<td>(29,843,911)</td>
<td>(2,822,120)</td>
</tr>
<tr>
<td>Utility Property Tax</td>
<td>(18,822,921)</td>
<td>(20,133,390)</td>
<td>1,310,469</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td><strong>(282,495,534)</strong></td>
<td><strong>(289,071,911)</strong></td>
<td><strong>6,576,377</strong></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>742,674,546</strong></td>
<td><strong>752,001,841</strong></td>
<td><strong>9,327,295</strong></td>
</tr>
</tbody>
</table>
### Net Income on a Cash Basis for 1995-1999

<table>
<thead>
<tr>
<th>TYPE OF REVENUE</th>
<th>Fiscal Year Ending 6/30/95</th>
<th>Fiscal Year Ending 6/30/96</th>
<th>Fiscal Year Ending 6/30/97</th>
<th>Fiscal Year Ending 6/30/98</th>
<th>Fiscal Year Ending 6/30/99</th>
</tr>
</thead>
<tbody>
<tr>
<td>BET</td>
<td>29,055,510</td>
<td>24,300,099</td>
<td>39,136,516</td>
<td>71,693,395</td>
<td>89,635,308</td>
</tr>
<tr>
<td>M&amp;R Tax</td>
<td>138,855,876</td>
<td>112,454,174</td>
<td>118,721,973</td>
<td>127,720,467</td>
<td>136,499,008</td>
</tr>
<tr>
<td>Tobacco Tax</td>
<td>44,489,670</td>
<td>45,420,240</td>
<td>49,837,126</td>
<td>75,244,227</td>
<td>73,327,818</td>
</tr>
<tr>
<td>I&amp;D Tax</td>
<td>37,958,245</td>
<td>51,658,363</td>
<td>52,698,495</td>
<td>61,833,319</td>
<td>62,911,196</td>
</tr>
<tr>
<td>Estate &amp; Legacy Taxes</td>
<td>30,266,348</td>
<td>31,707,415</td>
<td>41,234,484</td>
<td>42,774,343</td>
<td>47,482,309</td>
</tr>
<tr>
<td>CST Taxes</td>
<td>32,900,476</td>
<td>35,266,871</td>
<td>38,263,312</td>
<td>40,219,738</td>
<td>45,824,952</td>
</tr>
<tr>
<td>RE Transfer Tax</td>
<td>28,992,391</td>
<td>30,077,586</td>
<td>32,423,790</td>
<td>42,587,934</td>
<td>51,066,185</td>
</tr>
<tr>
<td>Nuclear Station Property Tax</td>
<td>7,658,332</td>
<td>7,492,746</td>
<td>7,492,475</td>
<td>7,492,475</td>
<td>7,526</td>
</tr>
<tr>
<td>Utilities Tax</td>
<td>9,415,182</td>
<td>9,995,600</td>
<td>10,061,920</td>
<td>10,238,216</td>
<td>10,394,085</td>
</tr>
<tr>
<td>Other Revenue (includes Railroads &amp; savings bank taxes)</td>
<td>878,303</td>
<td>1,424,895</td>
<td>1,995,890</td>
<td>1,918,204</td>
<td>1,277,630</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>495,368,662</strong></td>
<td><strong>505,612,212</strong></td>
<td><strong>562,633,582</strong></td>
<td><strong>650,358,868</strong></td>
<td><strong>686,058,317</strong></td>
</tr>
</tbody>
</table>

### Net Income on a Cash Basis for 2000-2004

<table>
<thead>
<tr>
<th>TYPE OF REVENUE</th>
<th>Fiscal Year Ending 6/30/00</th>
<th>Fiscal Year Ending 6/30/01</th>
<th>Fiscal Year Ending 6/30/02</th>
<th>Fiscal Year Ending 6/30/03</th>
<th>Fiscal Year Ending 6/30/04</th>
</tr>
</thead>
<tbody>
<tr>
<td>BPT</td>
<td>166,180,915</td>
<td>197,642,774</td>
<td>159,237,248</td>
<td>178,180,669</td>
<td>171,568,053</td>
</tr>
<tr>
<td>BET</td>
<td>147,557,955</td>
<td>154,828,834</td>
<td>223,636,411</td>
<td>215,200,349</td>
<td>236,627,334</td>
</tr>
<tr>
<td>M&amp;R Tax</td>
<td>153,311,197</td>
<td>163,049,648</td>
<td>169,703,721</td>
<td>175,114,686</td>
<td>184,259,685</td>
</tr>
<tr>
<td>Tobacco Tax</td>
<td>92,570,165</td>
<td>87,959,255</td>
<td>84,976,512</td>
<td>93,267,036</td>
<td>100,040,497</td>
</tr>
<tr>
<td>I&amp;D Tax</td>
<td>65,203,307</td>
<td>76,842,273</td>
<td>71,470,243</td>
<td>56,417,343</td>
<td>53,769,043</td>
</tr>
<tr>
<td>Estate &amp; Legacy Taxes</td>
<td>60,635,156</td>
<td>57,064,323</td>
<td>57,088,030</td>
<td>68,193,847</td>
<td>35,050,805</td>
</tr>
<tr>
<td>CST Taxes</td>
<td>47,416,610</td>
<td>49,256,789</td>
<td>62,508,517</td>
<td>63,452,424</td>
<td>65,595,263</td>
</tr>
<tr>
<td>RE Transfer Tax</td>
<td>82,864,095</td>
<td>90,350,287</td>
<td>97,371,970</td>
<td>117,003,621</td>
<td>137,018,703</td>
</tr>
<tr>
<td>Utilities Franchise Tax</td>
<td>9,974,424</td>
<td>8,731,743</td>
<td>298,743</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>Utilities Property Tax</td>
<td>31,167,539</td>
<td>15,625,403</td>
<td>18,192,984</td>
<td>18,833,596</td>
<td>20,159,763</td>
</tr>
<tr>
<td>Excess Education Property tax</td>
<td>24,149,942</td>
<td>24,528,666</td>
<td>28,963,331</td>
<td>32,666,031</td>
<td>29,843,911</td>
</tr>
<tr>
<td>Electric Consumption Tax</td>
<td>n/a</td>
<td>n/a</td>
<td>5,735,676</td>
<td>6,024,844</td>
<td>6,217,227</td>
</tr>
<tr>
<td>Other Revenue (includes Railroads &amp; savings bank taxes)</td>
<td>1,027,627</td>
<td>1,210,757</td>
<td>1,226,191</td>
<td>815,634</td>
<td>923,468</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>882,058,932</strong></td>
<td><strong>927,090,749</strong></td>
<td><strong>980,409,577</strong></td>
<td><strong>1,025,170,080</strong></td>
<td><strong>1,041,073,752</strong></td>
</tr>
</tbody>
</table>
## Personnel & Revenue Administration Statistics

<table>
<thead>
<tr>
<th>Personnel Expenditure FY 2004</th>
<th>Revenue Collected FY 2004</th>
<th>Estimated Cost of Collection FY 2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>$10,231,092</td>
<td>$1,041,073,752</td>
<td>.98%</td>
</tr>
</tbody>
</table>

## Personnel Data

<table>
<thead>
<tr>
<th>Personnel Data</th>
<th>Current # of Employees As of June 30, 2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unclassified Employees</td>
<td>20</td>
</tr>
<tr>
<td>Classified Employees</td>
<td>158</td>
</tr>
<tr>
<td>Full time Temporary Employees</td>
<td>0</td>
</tr>
<tr>
<td>Temporary Employees</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total Number of Employees</strong></td>
<td><strong>179</strong></td>
</tr>
</tbody>
</table>

## Physical Plant and Property Value as of June 30, 2004

<table>
<thead>
<tr>
<th>Physical Plant and Property Value</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equipment</td>
<td>$2,610,503</td>
</tr>
<tr>
<td>Motor Vehicles</td>
<td>$398,515</td>
</tr>
<tr>
<td>Physical Plant</td>
<td>0</td>
</tr>
<tr>
<td>Farm</td>
<td>0</td>
</tr>
<tr>
<td>Highways</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total Property Value</strong></td>
<td><strong>$3,009,018</strong></td>
</tr>
</tbody>
</table>
APPENDIX OF
PROPERTY TAX EQUALIZATION TABLES
APPENDIX 1

2003 PROPERTY TAX TABLES BY COUNTY
APPENDIX 2

2003 EQUALIZATION SURVEY

PART I - Summary of Property Tax System

PART II - 2003 Equalization Survey
  Including Utility & Railroad

PART III - 2003 Equalization Survey
  Not Including Utility & Railroad

PART IV - Base Valuation for Debt Limits

PART V - 2003 Comparison of Full Value Tax Rates