

New Hampshire Department of Revenue Administration

Fiscal Note Quick Guide

18-2060

HB 1554-FN, *increasing exemptions under the interest and dividends tax and decreasing the total amount of research and development credits against business taxes.*

Senate Ways & Means

Section 1 of this proposed legislation amends RSA 77:3, I (a) through (c), the Interest and Dividends (I&D) Tax by increasing the income threshold from \$2,400 to \$3,500.

Section 2 of this proposed legislation amends RSA 77:5 to increase the I&D Tax exemption from \$2,400 to \$3,500. It also amends the additional exemptions for taxpayers who are blind, disabled or over 65 from \$1,200 to \$1,750.

Section 3 of this proposed legislation amends RSA 77-A:5, XIII(a)(1), the Research and Development (R&D) Credit, by reducing the aggregate tax credits issued by the Commissioner from \$7,000,000 to \$2,000,000 for any fiscal year.

Section 1 and 2 of this act shall take effect January 1, 2019 and is applicable to tax years ending on or after December 31, 2019. Section 3 of this act shall take effect July 1, 2018.

Section 1 and 2 of this proposed legislation would decrease revenues to the General Fund by an indeterminable amount. The Department performed an analysis as if this proposed legislation was in effect in Tax Year 2015. The total I&D Tax liability reported by taxpayers for Tax Year 2015 was \$83,939,380. The Department examined all taxpayers filing an I&D Tax return for Tax Year 2015 and adjusted the claimed threshold from \$2,400 to up to \$3,500 and adjusted the claimed exemptions from \$1,200 to \$1,750 to calculate the fiscal impact of the proposed legislation. Increasing the I&D Tax threshold and exemptions from \$2,400 to \$3,500 for individuals, partnerships, and fiduciaries and increasing the additional exemptions for the blind, disabled or over 65, from \$1,200 to \$1,750 for Tax Year 2015 results in a tax liability of \$79,655,514 resulting in a reduction in revenue of \$4,283,866.

Typically some number of taxpayers who have overpaid their tax liability will carry that overpayment as a credit on their account with the Department rather than request a refund. Taxpayers who no longer have an I&D Tax liability due to the new threshold and exemptions are likely to request that credit as a refund. These requested refunds would increase the estimated revenue loss of \$4,283,866 by an indeterminable amount.

Section 3 of this proposed legislation would increase revenues to the General and Education Trust Fund by an indeterminable amount. By amending RSA 77-A:5, XIII(a)(1), the amount of R&D awarded is reduced from \$7,000,000 to \$2,000,000 which results in an increase of \$5,000,000 to the General and Education Trust Fund. However, due to the 5 year credit carry forward provision

the Department has no way to identify how much R&D carryforward credit would be utilized which would offset the \$5,000,000 increase in revenue.

The proposed legislation could be administered within the Department's existing operating budget.