

New Hampshire Department of Revenue Administration

Fiscal Note Quick Guide

18-2190

HB 1710-FN-A, *relative to the provision allowing operators to retain a portion of meals and rooms taxes collected and the appropriation of meals and rooms tax revenue to school building aid.*

House Ways & Means

Under existing law, Meals and Rooms (M&R) Tax operators may retain 3% of the tax collected as a commission for collecting the M&R Tax and timely filing their return and remitting payment. This proposed legislation amends RSA 78-A:7 by capping the M&R Tax an operator may retain at \$100.

This proposed legislation also establishes a new paragraph under RSA 78-A:26 which creates the School Building Aid fund (SBAF) to fund school building aid grants. This fund shall be non-lapsing and continually appropriated to the Department of Education. The SBAF will be funded in an amount equal to the difference between the uncapped 3% commission under existing law and the new commission of 3% capped at \$100. The Department shall calculate and transfer the difference to the SBAF beginning on July 1, 2018.

This bill would increase revenue by an indeterminable amount to the SBAF. The fiscal impact of this proposed legislation is indeterminable because the Department cannot estimate what M&R revenue and commission utilization will be when this proposed legislation goes into effect. However, the Department can analyze what the impact would have been if this proposed legislation had taken effect in FY2017.

The Department examined all M&R returns filed in FY2017 where the operator retained the 3% commission. The commission retained for M&R returns filed in FY2017 was \$9.1M. Each operator's commission was then recalculated assuming a \$100 cap, reducing commissions to \$2.9M. The difference between the uncapped 3% commission and the 3% commission capped at \$100 for FY2017 returns would have been \$6.2M. This additional \$6.2M in revenue would have been transferred into the SBAF if this act were in effect in FY2017.

The proposed legislation could be administered by the Department without any additional costs that could not be absorbed in our operating budget. However, the Department would note that Section 3 of this proposed legislation directs the Department to determine and transfer the difference in the new commission calculation beginning on July 1, 2018, the same day this legislation goes into effect. The Department would not be able to perform this calculation as no returns would be due with the new commission calculation. If the bill were to take effect on 7/1/18, the first returns reflecting the new commission calculation would be filed with the Department on 8/15/18. To allow sufficient time for processing and error correction, the Department would recommend that the first transfer to the SBAF occur no earlier than 10/1/18.