

New Hampshire Department of Revenue Administration

Fiscal Note Quick Guide

17-0392

HB 655-FN-A-LOCAL, *establishing a local option sales tax to reduce property taxes.*

House Ways & Means

The proposed bill would create RSA 76-A, establishing a local option sales tax. Revenues received by municipalities from the local option sales tax shall be included in the revenues reported to the DRA pursuant to RSA 21-J:34 and used in the calculation of the property tax rate set by the Commissioner under RSA 21-J:35.

The rate of the tax on qualifying sales of tangible personal property purchased at retail shall not exceed 1.5%, and would be determined by the municipality adopting the sales tax. Several categories of tangible personal property are explicitly made exempt from the local option sales tax. Certain categories of purchasers are also exempted from the tax.

The DRA would be responsible for administering the proposed tax. Following the adoption of this chapter by a municipality, persons who would be required to collect this tax must register with the DRA. Returns would be filed with the DRA on or before the 15th day of each month following the month of tax collection. The DRA would be responsible for calculating revenues collected, less administrative and enforcement costs by the DRA, and forwarding that amount back to the municipalities in which it was collected.

In order to administer this bill the DRA would need to create additional positions that would be primarily responsible for processing registrations and issuing certificates of authority to collect the tax, issuing certificates of exemption from the tax, reviewing returns, compliance and enforcement, processing of quarterly payments back to the municipalities and other tax administration functions. The DRA would also need to create new forms, update systems and gain access to federal tax exemption information before the implementation of the bill.

The DRA assumes that establishing a local option sales tax will result in an indeterminable increase in state expenditures as a result of DRA's role in licensing entities subject to a sales tax collection obligation, administering local option sales tax collection, and administering sales tax revenue distribution back to municipalities. Although the Department believes that the ongoing staffing and other costs associated with administering a local option sales tax would be substantial, the Department is unable to reasonably estimate that cost without more extensively studying the proposed program. That indeterminable increase in state expenditures will be offset by an indeterminable increase in state revenue equal to the DRA's cost to administer this program.

The DRA assumes that establishing a local sales tax option will result in an indeterminable increase in local revenues for those municipalities electing to institute the local option sales tax. The DRA also assumes that those municipalities electing to adopt a local sales tax will also experience an

indeterminable increase expenditures associated with their limited role in administering the local option sales tax program.

Consistent with the statutory framework for other existing taxes, appropriate direction should be given with respect to the disposition of revenue from this tax. The DRA and Treasury would require direction as to whether the revenue collected should be deposited into a dedicated fund or the general fund prior to being accounted for by DRA for administrative and enforcement costs, and the remaining funds distributed back to the municipalities.

A mechanism should be in place for determining how the revenue, after DRA administrative and enforcement costs are deducted, is to be distributed back to the municipalities. DRA has assumed the net revenue would be remitted back to the municipality where the taxable transaction occurred.

The proposed legislation lists an effective date of July 1, 2017. The Department would not have sufficient time to hire staff, create forms, enact rules and reprogram electronic and tax filing systems to administer the proposed local options sales tax.