

New Hampshire Department of Revenue Administration

Fiscal Note Quick Guide

17-0139

SB 205-FN-A, *establishing the small business jobs fund and tax credit.*

Senate Ways & Means

The proposed bill establishes a new Small Business Jobs Fund Act and Tax Credit under RSA 162-S, to be used against taxes imposed by any of the following individually or in combination; RSA 77-E, RSA 400-A, and RSA 77-A, effective July 1, 2017. If the small business jobs fund tax credit is applied to the Business Enterprise Tax (BET) under RSA 77-E, it shall be treated as taxes paid for the purpose of Insurance Premium Tax (IPT) under RSA 400-A and the Business Profits Tax (BPT) under RSA 77-A. If the small business jobs fund tax credit is applied to IPT under RSA 400-A, it shall be treated as taxes paid for the purpose of the BPT.

This proposed bill allows a nonrefundable tax credit for taxpayers that made a credit eligible capital contribution to a small business jobs fund and were issued a tax credit certificate from the NH Department of Resources and Economic Development (DRED) under the proposed bill. The aggregate of tax credit eligible capital contributions approved by DRED under this proposed legislation shall not exceed \$60,000,000.

A taxpayer entitled to a tax credit pursuant to this program shall utilize $\frac{1}{4}$ of the total credit amount equally in each of the tax years that includes the third through sixth anniversaries of receipt. If the tax credit cannot be fully utilized in years three through six, it may be carried forward. The proposed legislation contemplates that tax credits may be revoked and requires repayment of a stated percentage of the tax credit if certain employment thresholds are not met and maintained.

The DRA has no definitive method to determine the total future value of credit eligible capital contributions made under this proposed legislation, or when the tax credits awarded would be utilized by the taxpayer. Because the taxpayer cannot begin utilizing the awarded tax credit until the third anniversary of receiving the tax credit certificate, the fiscal impact of the proposed tax credit cannot occur until at least FY2021.

Application fees of \$5,000 which are to be collected under this proposed small business jobs fund would be deposited into a newly created small business jobs fund account and used by DRED to administer the program.

The DRA would be responsible for updating all necessary tax return forms and electronic management systems related to this bill. Appropriate policies and procedures for administering this bill will be implemented prior to the effective date of this bill. The proposed legislation could be administered by the DRA without any additional costs that could not be absorbed in our operating budget.