

New Hampshire Department of Revenue Administration

Fiscal Note Quick Guide

17-0813

SB 244-FN-A, *relative to exemption of income from taxation under the tax on interest and dividends.*

Senate Ways & Means

The proposed legislation amends RSA 77:3, I to increase the Interest & Dividends (I&D) Tax threshold from \$2,400 to \$25,000 for individuals and the I&D Tax threshold for joint filers from \$4,800 to \$50,000. The proposed legislation also amends RSA 77:5 to increase the I&D Tax exemptions from \$2,400 to \$25,000 for individuals and the I&D threshold for joint filers from \$4,800 to \$50,000. The proposed legislation is effective January 1, 2018.

The proposed legislation would decrease revenues to the General Fund by an indeterminable amount. The Department did an analysis as if this proposed legislation was in effect in Tax Year 2015. Based on data ran on 1/26/17, if the proposed legislation was in effect in Tax Year 2015 the reduction in revenue would be \$33,581,765.

- The total tax liability reported by taxpayers for Tax Year 2015 is \$83,616,193. Increasing the I&D Tax threshold and exemptions from \$2,400 to \$25,000 for individuals and the I&D Tax threshold for joint filers from \$4,800 to \$50,000 would reduce the Tax Year 2015 tax liability to \$52,321,119 resulting in a reduction in revenue of \$31,295,073.
- Additionally, 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. The Department calculated taxpayers who have a credit on file and that would no longer have a tax liability due to the proposed increase to the I&D Tax threshold and exemptions. We predict that these taxpayers would request refunds in the amount of \$2,286,692.
- Accounting for both the revenue decrease associated with the increased I&D Tax threshold and exemptions and the expected refund requests from taxpayers with credits on file who no longer have an I&D Tax liability, we estimate the fiscal impact of the proposed legislation to be \$33,581,765.

The proposed legislation lists an effective date of January 1, 2018. The Department would recommend an applicability date that impacts “taxable periods ending on or after December 31st.” Adopting this applicability date ensures that a tax law change will impact all taxpayers for a particular tax year.