

New Hampshire Department of Revenue Administration

Fiscal Note Quick Guide

17-0808

SB 76-FN-A, *establishing an option to rebate the research and development tax credit against business profits taxes, and making an appropriation therefor.*

Senate Ways & Means

This proposed bill amends RSA 77-A:5 to allow a taxpayer to request a rebate equal to 75% of the final amount of credit awarded for the Research and Development (R&D) Tax credit in lieu of a credit being awarded.

This proposed bill also amends RSA 21-J:14, the Department's confidentiality provision, to provide the Department with the authority to share the information and statistics on the R&D credit and optional rebate.

The Department shall receive an appropriation in the amount of \$1,312,500 per year for fiscal year ending June 30, 2018 and fiscal year ending June 30, 2019 for purposes of rebating the R&D tax credit. The Department would note that the first round of rebates would not be issued until September 2018, the next fiscal year.

This act shall take effect July 1, 2017 and shall apply to taxable periods ending after June 30, 2017.

The proposed bill would decrease revenue by an indeterminable amount because the Department has no way of knowing how many taxpayers will opt for a rebate of the R&D tax credit versus utilizing the credit on their BPT return.

The Department analyzed the R&D tax credits awarded versus what was claimed in the 2013 and 2014 program year and found that on average 17% of R&D tax credits are not claimed. The R&D amount to be awarded will increase in FY 2018 to \$7,000,000. If the Department assumes that the rate of unused credit will persist, then out of the \$7,000,000 of R&D tax credits to be awarded then 17% or \$1,190,000 will not be claimed. If the Department further assumes that the unclaimed credit will be requested as a rebate, the fiscal impact of the proposed legislation will be 75% of \$1,190,000, or \$892,500.

This proposed bill has an applicability date to taxable periods ending after June 30, 2017. This program runs on a program year not a tax year and would not need an applicability date.

Line 13 of this proposed bill states "If a taxpayer elects to take a rebate, the rebate shall be made in the current tax year and not carried forward." The rebate is not attributable to a tax year it is attributable to a program year. The Department would suggest that Line 13 be clarified.