

New Hampshire Department of Revenue Administration

Fiscal Note Quick Guide

25-0504.0

HB 155, *reducing the rate of business enterprise tax.*

Ways and Means

This bill reduces the rate of the business enterprise tax for tax years ending on or after December 31, 2026.

The proposed legislation would reduce the Business Enterprise Tax (BET) rate from 0.55% to 0.50% for the taxable periods ending on or after December 31, 2026.

The proposed legislation would take effect on July 1, 2025.

The DRA would be responsible for updating all necessary tax return forms and electronic management systems related to this bill.

The proposed legislation would not result in any additional administrative costs that could not be absorbed in the DRA operating budget.

The fiscal impact of the proposed legislation is an indeterminable decrease to the General and Education Trust Funds starting in FY 2026. The increase is indeterminable because DRA is unable to predict the base liability for future years. Reducing the BET rate will also reduce the BET credit available to offset the BPT, increasing BPT revenue. However, the BPT increase will be less than the BET decrease because not all taxpayers have a BPT liability to be offset by a BET credit and not all taxpayer's BET liability exceeds the BPT credit. In those situations, the BET loss in revenue is not offset by an increased BPT liability.

The DRA has calculated a possible fiscal impact based on the prior year's revenue as follows. The analysis assumes that the BET tax base in future years will be the same as in TY2022.

1. To calculate FY2026 through FY2028 revenues under current law as well as the proposed rate changes, the DRA used TY2022 BET tax base of \$42.0 billion as the starting point. The applicable BET rate for taxable periods ending on or after December 31, 2022, was 0.55%.
2. Because revenue for a given tax year is realized in multiple fiscal years, the DRA did an analysis based on prior years to break out the split of tax year revenue to fiscal year revenue and applied it to FY2025 as follows: 12% attributable to TY 2023, 69% attributable to TY 2024, and 19% attributable to TY 2025.

3. The DRA applied a rate of 0.55% to calculate the estimated revenue under current law, as shown in the second column of the table below.
4. The BET rate change to .50% contained in this proposed legislation is then applied to calculate estimated revenue, as shown in the third column, and the year-over-year and cumulative impact shown in the fourth and fifth columns.

| Business Enterprise Tax- Static Analysis Using Tax Year 2022 BET Tax | | | | |
|---|---|--|---|---------------------------------|
| Fiscal Year | Current Law Revenue Using TY2022 BET Tax | Estimated Revenue with Proposed Legislation | Estimated Fiscal Impact Per Year | Cumulative Fiscal Impact |
| 2025 | \$244,600,000 | \$244,600,000 | \$0 | \$0 |
| 2026 | \$244,600,000 | \$240,300,000 | (\$4,300,000) | (\$4,300,000) |
| 2027 | \$244,600,000 | \$224,900,000 | (\$19,700,000) | (\$24,000,000) |
| 2028 | \$244,600,000 | \$222,300,000 | (\$22,300,000) | (\$46,300,000) |

| Fiscal Year | Tax Year | % Applicable to Tax Year | Current Law BET Rates | Proposed Law BET Rates |
|------------------------------|-----------------|---------------------------------|------------------------------|-------------------------------|
| Fiscal Year 2026 | Tax Year 2024 | 12% | 0.55% | 0.55% |
| | Tax Year 2025 | 69% | 0.55% | 0.55% |
| | Tax Year 2026 | 19% | 0.55% | 0.50% |
| Fiscal Year 2027 | Tax Year 2025 | 12% | 0.55% | 0.55% |
| | Tax Year 2026 | 69% | 0.55% | 0.50% |
| | Tax Year 2027 | 19% | 0.55% | 0.50% |
| Fiscal Year 2028 and forward | Tax Year 2026 | 12% | 0.55% | 0.50% |
| | Tax Year 2027 | 69% | 0.55% | 0.50% |
| | Tax Year 2028 | 19% | 0.55% | 0.50% |