

New Hampshire Department of Revenue Administration

Fiscal Note Quick Guide

25-1170.0

HB 2, *relative to state fees, funds, revenues, and expenditures.*

Ways and Means

This bill is the omnibus budget trailer bill and addresses many aspects of the operation of state government.

This fiscal note worksheet addresses only the sections of the proposed legislation that would impact DRA operations. For each of the sections listed below, the DRA would be responsible for updating all necessary tax return forms and electronic management systems. The proposed legislation would not result in any additional costs that could not be absorbed in DRA's ordinary operating budget. The sections listed below would be effective July 1, 2025.

Sections 180 through 183 Distribution of Funds

- Section 180 Business Profits Tax (BPT) Education Trust Fund (ETF) Distribution
 - Would amend the BPT distribution to the ETF from a 41 percent allocation to a 34 percent allocation.
- Section 181 Business Enterprise Tax (BET) ETF Distribution
 - Would amend the BET distribution to the ETF from a 41 percent allocation to a 34 percent allocation.
- Section 182 Tobacco Tax (TOB) ETF Distribution
 - Would amend the TOB distribution to the ETF from its current ratio-based allocation of \$0.78 per \$1.78 (or 43.82 percent) to a 34 percent allocation.
- Section 183 Real Estate Transfer Tax (RETT) ETF Distribution
 - Would amend the RETT distribution to the ETF from its current ratio-based allocation of \$0.25 per \$0.75 (or 33.3 percent) to a 34 percent allocation.

Distribution of Funds

Sections 180 through 183 of the proposed legislation are revenue neutral. However, there is an impact on the amount of revenue deposited into the GF and ETF for BPT, BET, TOB, and RETT for FY2026 and forward. DRA is unable to calculate the exact amount of the revenue shift, because DRA is not able to know the exact amount of revenue that will be collected in future years. However, DRA is able to estimate the impact of the changes using FY 2025 Plan revenues.

Sections 180 and 181 BPT and BET Education Trust Fund Distribution

1. Under current law, the percentage of BPT and BET deposited into the ETF is 41 percent. The proposed legislation decreases the percentage to 34 percent— a 7-percentage point decrease.
2. To calculate the annual fiscal year ETF deposit percentage under current law, as well as the proposed ETF deposit percentage, the DRA used the FY 2025 Plan revenue of \$881.3m for BPT and \$377.7m for BET as the starting point.
3. The variance of the allocation between the General Fund and Education Trust Fund when comparing the current law and the proposed law may be overstated or understated for future fiscal years depending on whether actual revenue is more or less than FY 2025 Plan.
4. The table below shows the ETF deposit under current law as well as the proposed legislation along with the variance. Based on the FY 2025 Plan for BPT and BET, there would be an increase of \$88.2m to the General Fund and a decrease of \$88.2m to the Education Trust Fund.

Business Profits and Business Enterprise Tax General Fund and Education Trust Fund Splits (\$ in Millions)							
Tax	FY25 Plan	Current Law		Proposed Law		Variance	
		General Fund	Education Trust Fund	General Fund	Education Trust Fund	General Fund	Education Trust Fund
BPT	\$881.3	\$520.0	\$361.3	\$581.7	\$299.6	\$61.7	\$(61.7)
BET	\$377.7	\$222.8	\$154.9	\$249.3	\$128.4	\$26.5	\$(26.5)
Total	\$1,259.0	\$742.8	\$516.2	\$831.0	\$428.0	\$88.2	\$(88.2)
		General Fund	Education Trust Fund	General Fund	Education Trust Fund	General Fund	Education Trust Fund
BPT	Split	59.0%	41.0%	66.0%	34.0%	7.0%	-7.0%
BET	Split	59.0%	41.0%	66.0%	34.0%	7.0%	-7.0%

Section 182 Tobacco Education Trust Fund Distribution

1. Under current law, only revenue from tobacco stamps is partially allocated to the ETF. The percentage of stamp revenue deposited into the ETF is computed using the ratio of any tobacco stamp tax rate in excess of \$1.00 over the total stamp tax rate, currently \$0.78 per \$1.78 or 43.82%. The proposed legislation sets the tobacco tax allocation to the ETF at a fixed 34 percent for all tobacco products. This represents a 34 percentage point increase for other tobacco products (OTP) and electronic cigarettes (E-Cig) and a 9.82 percentage point decrease for tobacco stamps.

2. To calculate the annual fiscal year ETF deposit percentage under current law, as well as the proposed ETF deposit percentage, the DRA used the FY 2025 Plan revenue of \$212.3m for Tobacco Tax as the starting point.
3. By dividing the planned Tobacco Tax ETF distribution of \$80.3m by 43.82%, DRA determined that the FY 2025 Plan assumes revenue of \$183.2m from tobacco stamps, of which \$80.3m is to be distributed to the ETF, with the remaining \$102.9m of tobacco stamp revenue distributed to the General Fund. Subtracting the planned \$183.2m in tobacco stamp revenue from the planned \$212.3m in total Tobacco Tax revenue leaves \$29.1m in planned revenue from OTP and electronic cigarettes.
4. The variance of the allocation between the General Fund and Education Trust Fund when comparing the current law and the proposed law may be overstated or understated for future fiscal years depending on whether actual revenue is more or less than FY 2025 Plan.
5. The table below shows the ETF deposit under current law as well as the proposed legislation along with the variance.

Tobacco Tax General Fund and Education Trust Fund Splits (\$ in Millions)							
Tax	FY25 Plan	Current Law		Proposed Law		Variance	
		General Fund	Education Trust Fund	General Fund	Education Trust Fund	General Fund	Education Trust Fund
Stamp	\$ 183.2	\$ 102.9	\$ 80.3	\$ 120.9	\$ 62.3	\$ 18.0	\$ (18.0)
OTP E-Cig	\$ 29.1	\$ 29.1	\$ -	\$ 19.2	\$ 9.9	\$ (9.9)	\$ 9.9
Total	\$ 212.3	\$ 132.0	\$ 80.3	\$ 140.1	\$ 72.2	\$ 8.1	\$ (8.1)
		General Fund	Education Trust Fund	General Fund	Education Trust Fund	General Fund	Education Trust Fund
Stamp	Split	56.18%	43.82%	66.0%	34.0%	9.8%	-9.8%
OTP E-Cig	Split	100.0%	0.0%	66.0%	34.0%	-34.0%	34.0%

Section 183 RETT Education Trust Fund Distribution

1. Under current law, the percentage of RETT deposited into the ETF is a ratio of any additional amounts of RETT revenue produced by an increase of \$0.25 per \$100 in the rate of tax over the former rate of \$0.50 per \$100, which can also be stated as \$0.25 per \$0.75 or 33.3%. The proposed legislation sets the RETT allocation to the ETF at a fixed 34 percent, a 0.7 percentage point increase.
2. To calculate the annual fiscal year ETF deposit percentage under current law, as well as the proposed ETF deposit percentage, the DRA used the FY 2025 Plan revenue of \$210.0 for RETT as the starting point.
3. The variance of the allocation between the General Fund and Education Trust Fund when comparing the current law and the proposed law may be overstated or understated for future fiscal years depending on whether actual revenue is more or less than FY 2025 Plan.
4. The table below shows the ETF deposit under current law as well as the proposed legislation along with the variance. Based on the FY 2025 Plan for RETT, there would be a \$1.5m increase to the ETF.

Real Estate Transfer Tax General Fund and Education Trust Fund Splits (\$ in Millions)							
Tax	FY25 Plan	Current Law		Proposed Law		Variance	
		General Fund	Education Trust Fund	General Fund	Education Trust Fund	General Fund	Education Trust Fund
RETT	\$ 210.0	\$ 140.0	\$ 70.0	\$ 138.6	\$ 71.4	\$ (1.4)	\$ 1.4
		General Fund	Education Trust Fund	General Fund	Education Trust Fund	General Fund	Education Trust Fund
RETT	Split	66.7%	33.3%	66.0%	34.0%	-0.7%	0.7%

The table below is a summary of the impact of the proposed legislation on all taxes amended. The total impact of the proposed legislation is a decrease of \$94.9m to the ETF or a 5.6 percentage point decrease from current law.

Proposed HB2 General Fund and Education Trust Fund Splits (\$ in Millions)							
Tax	FY25 Plan	Current Law		Proposed Law		Variance	
		General Fund	Education Trust Fund	General Fund	Education Trust Fund	General Fund	Education Trust Fund
BPT	\$ 881.3	\$ 520.0	\$ 361.3	\$ 581.7	\$ 299.6	\$ 61.7	\$ (61.7)
BET	\$ 377.7	\$ 222.8	\$ 154.9	\$ 249.3	\$ 128.4	\$ 26.5	\$ (26.5)
TOB Stamp	\$ 183.2	\$ 102.9	\$ 80.3	\$ 120.9	\$ 62.3	\$ 18.0	\$ (18.0)
TOB/OTP E-Cig	\$ 29.1	\$ 29.1	\$ -	\$ 19.2	\$ 9.9	\$ (9.9)	\$ 9.9
RETT	\$ 210.0	\$ 140.0	\$ 70.0	\$ 138.6	\$ 71.4	\$ (1.4)	\$ 1.4
Total	\$1,681.3	\$1,014.8	\$ 666.5	\$1,109.7	\$ 571.6	\$ 94.9	\$ (94.9)
		General Fund	Education Trust Fund	General Fund	Education Trust Fund	General Fund	Education Trust Fund
BPT	Split	59.0%	41.0%	66.0%	34.0%	7.0%	-7.0%
BET	Split	59.0%	41.0%	66.0%	34.0%	7.0%	-7.0%
TOB Stamp	Split	56.18%	43.82%	66.0%	34.0%	9.82%	-9.82%
TOB/OTP E-Cig	Split	100.0%	0.0%	66.0%	34.0%	-34.0%	34.0%
RETT	Split	66.7%	33.3%	66.0%	34.0%	-0.7%	0.7%
Total	Split	60.4%	39.6%	66.0%	34.0%	5.64%	-5.64%