

New Hampshire Department of Revenue Administration

Fiscal Note Quick Guide

25-0518.0

HB 255, *increasing the percentage of revenue deposited in the education trust fund from the business profits tax.*

Ways and Means

This bill increases the percentage of revenue from the business profits tax certified for deposit in the education trust fund

The proposed legislation increases the portion of the revenue from the Business Profits Tax (BPT) that will be distributed to the Education Trust Fund (ETF). The proposed legislation leaves the portion of the revenue from the Business Enterprise Tax (BET) that will be distributed to the ETF unchanged.

The proposed legislation increases the distribution rate for the revenues from BPT to ETF to 59%. Under current law, the distribution amount of BPT revenue to the ETF is 41%.

The effective date is July 1, 2025.

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

The proposed legislation is revenue neutral. However, there is an impact in the amount deposited to the Education Trust Fund and the General Fund from BPT.

1. Under current law, the percentage deposited into the ETF is 41 percent. The proposed legislation increases that amount by 18 percentage points to 59 percent.
2. To calculate the annual fiscal year ETF deposited percentage under current law, as well as the proposed ETF deposit percentage, the DRA used the FY 2025 Revenue plan of \$881.3 million for BPT 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 under the proposed legislation along with the variance. Based on the FY 2025 Plan for BPT, there would be a decrease of \$158.8 million to the General Fund and an increase of \$158.8 million to the Education Trust Fund if the proposed legislation were enacted.
5. The proposed legislation will also impact revenue reporting between the two business taxes and may result in incongruities between the reported fund splits in a given fiscal year and the actual splits being made at the time of the deposits. This is due to reallocations between the business taxes which are made in a different fiscal year than the fiscal year in which the revenue is received. With the fund splits for both business taxes the same, reallocation between the two taxes does not require reallocation between the two funds. However, when

the two taxes have different fund splits, a reallocation between taxes also requires a reallocation between funds. Adjustments are often made in a different fiscal year than the fiscal year that the revenue is received because most business taxpayers initially make quarterly estimated payments or payments on extension. In these cases, DRA has processes in place to split the revenue received between BPT and BET based on historical data. The final split between the two taxes is not known until the taxpayer files their return, which may be 9 to 18 months after receipt of the first estimate. Consequently, many reallocations occur in a different fiscal year than the fiscal year that the revenue is received. Because the BET ETF split will remain unchanged at 41% but the BPT ETF split will increase to 59%, any revenue initially overallocated to BPT prior to receipt of the return will appear as a reduction to ETF revenue in a future fiscal year.

Business Profits Tax General Fund and Education Trust Fund Splits							
(\$ in Millions)							
Tax	FY2025 Plan All Funds	Current Law		Proposed Law		Variance	
		General Fund	Education Trust Fund	General Fund	Education Trust Fund	General Fund	Education Trust Fund
BPT	\$ 881.3	\$ 520.1	\$ 361.2	\$ 361.3	\$ 520.0	\$ (158.8)	\$ 158.8
		General Fund	Education Trust Fund	General Fund	Education Trust Fund	General Fund	Education Trust Fund
BPT	Split	59.0%	41.0%	41.0%	59.0%	-18.0%	18.0%