

# New Hampshire Department of Revenue Administration

## Fiscal Note Quick Guide

25-0605.0

**HB 417**, *relative to repealing the communications services tax.*

Ways and Means

### This bill:

#### **I. Reduces the rate of the communications services tax for the 2026 tax year.**

#### **II. Abolishes the communications services tax in the 2027 tax year.**

1. Sections 1 and 2 of the proposed legislation reduce the Communications Services Tax (CST) rate from 7% to 4% effective July 1, 2025.
2. Section 3 of the proposed legislation repeals the CST effective July 1, 2026.
3. The remaining sections of the proposed legislation remove various references to the Communications Services Tax in statute, effective as of the date of repeal.
4. 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 this proposed legislation is an indeterminable decrease to the General Fund starting in FY 2025. The DRA is unable to estimate the exact future impact of the proposed legislation because the DRA cannot predict what revenue from the CST will be in future years. However, using CST from a prior fiscal year, the DRA can calculate the fiscal impact had legislation been in place in a prior year.

To calculate the revenue impact of the proposed rate change, the DRA used FY 2024 cash basis CST revenue, reported by the Department of Administrative Services in the Revenue Focus, of \$30.6 million for the starting point.

The following table shows the impact of the proposed legislation using FY2024 revenues and calculates FY2025 at the current 7% tax rate, FY2026 at the 4% tax rate, and FY 2027 and forward at a 0% tax rate. CST taxpayers with an estimated monthly liability in excess of \$10,000 are required to make an estimated payment equal to 90% of the actual tax collected on or before the 15th day of the month during which the liability is incurred. The rest of the liability is paid the following month as return payments. So, during each month a nominal amount of CST revenue is attributable to the prior month. Therefore, a nominal amount of revenue received in July 2025 would be attributable to the June 2025 taxable period at the higher 7.0% rate. Similarly, nominal revenue attributable to June 2026 would be received in July 2026 (FY2027). Applicability dates pertaining to the relevant tax periods for the proposed rate reduction and repeal are recommended.

**Communication Services Tax Cash Basis Analysis Using FY 2024 Revenues**  
**\$ in Millions**

<b>Fiscal Year</b>	<b>Current Rate</b>	<b>Proposed Rate</b>	<b>FY 2024 CST General Fund Revenue At 7%</b>	<b>CST General Fund Revenue at Proposed Reduce/Repeal</b>	<b>Fiscal Impact (Proposed Legislation Compared to Current Law)</b>	<b>Cumulative Fiscal Impact</b>
<b>FY 2025</b>	7%	7%	\$30.6	\$30.6	\$0.0	\$0.0
<b>FY 2026</b>	7%	4%	\$30.6	\$23.0	\$7.7	\$7.7
<b>FY 2027 forward</b>	7%	0%	\$30.6	\$0.00	\$30.6	\$38.3