

New Hampshire Department of Revenue Administration

Fiscal Note Quick Guide

23-0151

HB 100, *repeal the interest and dividends tax*

House Ways and Means

Repeal of the Interest and Dividends Tax

The proposed legislation changes the effective date of the repeal the Interest and Dividends (“I&D”) tax from the effective date of January 1, 2027 to the effective date of January 1, 2024. This proposed legislation shall take effect upon its passage.

The proposed legislation is silent on the I&D rates as set out in Chapter 91, Section 89, Laws of 2021 for taxable periods ending on or after December 31, 2024 through taxable periods ending on or after December 31, 2026. The DRA assumes that those provisions will no longer be in effect after the passage of this proposed legislation.

The fiscal impact of this proposed legislation is an indeterminable decrease to the General Fund starting in FY 2024. The DRA has no definitive method to determine future I&D tax liability and credit carryforward amounts. The DRA has calculated a possible fiscal impact based on FY 2022 cash basis revenue as follows:

1. To calculate FY 2023 thru FY 2026 revenues under current law, the DRA used FY 2022 cash basis revenue reported by the Department of Administrative Services in the Revenue Focus of \$156,400,000 for the I&D starting point.
2. The DRA did an analysis based on prior years to break out the split of tax year revenue to fiscal year revenue. The split breakdown used for FY 2023 and forward revenue was 5% attributable to two tax years prior, 68% attributable to prior tax year, and 27% attributable to current tax year.
3. Applying the 5% tax rate to gross up the FY 2022 cash basis revenue creates a taxable I&D base of \$3,128,000,000 to use for the starting point.
4. The chart below reflects in each fiscal year, the portion of revenue from respective tax years, the applicable I&D rate based on current law and the repeal of the I&D based on the proposed legislation.
5. The I&D rate reduction based on current law and the proposed repeal is then applied based on the relevant tax year in each fiscal year to come up with the revenue for each fiscal year in each comparative scenario.

6. This estimated fiscal impact may be overstated or understated for future fiscal years depending on whether actual revenue is more or less than reported FY22 collections.

The estimated fiscal impact does not take into account any overpayments/credit carryforwards on file. The use of these overpayments would further increase the loss in revenue as taxpayers stop making payments and supplement the payments with overpayments already on file with the department. The DRA is unable to determine how the taxpayer would utilize the overpayment, whether they would use it over the multiple years or whether they would claim it as a refund.

Similarly, there could also be trailing amounts of I&D tax collected even once the tax is fully repealed from audit and collection activity.

Fiscal Year	Tax Year	% Applicable to Tax Year	Current Law I&D Rates	Proposed Law I&D Rates
Fiscal Year 2024	Tax Year 2022	5%	5.0%	5.0%
	Tax Year 2023	68%	4.0%	4.0%
	Tax Year 2024	27%	3.0%	0.0%
Fiscal Year 2025	Tax Year 2023	5%	4.0%	4.0%
	Tax Year 2024	68%	3.0%	0.0%
	Tax Year 2025	27%	2.0%	0.0%
Fiscal Year 2026	Tax Year 2024	5%	3.0%	0.0%
	Tax Year 2025	68%	2.0%	0.0%
	Tax Year 2026	27%	1.0%	0.0%
Fiscal Year 2027	Tax Year 2025	5%	2.0%	0.0%
	Tax Year 2026	68%	1.0%	0.0%
	Tax Year 2027	27%	0.0%	0.0%
Fiscal Year 2028	Tax Year 2026	5%	1.0%	0.0%
	Tax Year 2027	68%	0.0%	0.0%
	Tax Year 2028	27%	0.0%	0.0%
Fiscal Year 2029 and forward	Tax Year 2027 and forward	100%	0.0%	0.0%

Fiscal Impact by Fiscal Year

Interest and Dividends Tax- Static Analysis using FY 2022 Revenues				
Fiscal Year	Current Law Revenue Using FY2022 Base	Estimated Revenue with Proposed Legislation	Estimated Fiscal Impact Per Year	Cumulative Fiscal Impact
2024	\$118,200,000	\$92,900,000	(\$25,300,000)	(\$25,300,000)
2025	\$87,000,000	\$6,300,000	(\$80,700,000)	(\$106,000,000)
2026	\$55,600,000	\$0	(\$55,600,000)	(\$161,600,000)
2027	\$24,400,000	\$0	(\$24,400,000)	(\$186,000,000)
2028	\$1,600,000	\$0	(\$1,600,000)	(\$187,600,000)