

# New Hampshire Department of Revenue Administration

## Fiscal Note Quick Guide

23-0134

**HB 133**, *relative to repealing the communications services tax*

House Ways and Means

### **Repealing the Communications Services Tax (CST)**

The proposed legislation repeals the Communications Services Tax (CST) effective July 1, 2023. The fiscal impact of this proposed legislation is an indeterminable decrease to the General Fund starting in FY 2024. 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 a prior year.

To calculate the revenue impact of the proposed rate change, the DRA used FY 2022 cash basis CST revenue, reported by the Department of Administrative Services in the Revenue Focus, of \$30.9 million for the starting point. A repeal of the CST would eliminate this \$30.9 million of revenue from FY2024 onwards.

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, were the proposed legislation to take effect on July 1, 2023, a nominal amount of revenue received in July, 2023 would be attributable to the June 2023 taxable period at the 7.0% rate.

The proposed legislation includes language that strikes reference to Chapter 82-A Communications Services Tax in RSA 106-H:9, III (b)(3). However, reference to Chapter 82-A also appears in the following RSAs and is not included in the proposed legislation for amendment:

1. RSA 21-J:33-a Substantial Underpayment Penalty, paragraph I.
2. RSA 71-C:4 Tax Expenditure and Potential Liability Report paragraphs I and II(b)(1)
3. RSA 72:12 Property Taxes.
4. RSA 106-H:9, III (a) Enhanced 911 System Funding; Fund Established.
5. RSA 319-D:1 I, Definition of communications services for State of Emergency Waivers for Out-Of-State Business and Employees uses the definition as provided in RSA 82-A:2, III.

The proposed legislation is effective July 1, 2023. CST returns must be filed by the provider/retailer on the 15th day of the month for the preceding calendar month, accompanied by the tax collected. Any provider/retailer with an estimated monthly liability in excess of \$10,000 is 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 DRA recommends specifying an applicability date. A suggestion would be applicable to taxable periods beginning on or after July 1, 2023.