

New Hampshire Department of Revenue Administration

Fiscal Note Quick Guide

22-2272

HB 1430-FN-A, *repealing the tax on rentals of motor vehicles under the meals and rooms tax.*

House Ways & Means

The proposed legislation repeals the tax on the rental of motor vehicles under the RSA 78-A Meals & Rentals (M&R) Tax effective July 1, 2022.

The DRA is unable to estimate the exact future impact of the proposed legislation because the DRA cannot predict what revenue from the motor vehicles portion of M&R Tax will be in future years. However, using M&R cash basis revenue data, the DRA can calculate the fiscal impact had the legislation been in place during FY 2021.

Revenue from the motor vehicles portion of the M&R Tax on a cash basis during FY 2021 was \$7.0M. Operators of motor vehicle rentals retained commissions of \$218,889 (3.0% of the total tax collected based on data reported by Operators in FY 2021). Thus, the total tax collected by motor vehicle rental operators for FY 2021 was \$7,218,889. The FY 2021 M&R Tax base was the total tax collected (\$7,218,889) divided by the tax rate of 9%, or \$80,209,880.

The FY 2021 revenue from the motor vehicles portion of the M&R Tax base figure is then multiplied by the 8.5% tax rate from the recently passed HB 2, yielding a new estimated amount of tax collected by operators of \$6,817,840. Using the same rate of commissions from FY 2021, the commission retained under the new rate is \$206,729, which is subtracted from the new liability amount. Thus, the motor vehicle rentals revenue which would have been generated in FY 2021 had the 8.5% rate been in place is \$6,611,111. This would be an estimated full fiscal year reduction in revenue to the Education Trust Fund of (\$6,611,111) were the motor vehicles portion of the M&R Tax repealed.

The proposed legislation is effective July 1, 2022. M&R revenue is due by the 15th day of the month following the taxable period. This proposed legislation therefore would not begin to impact revenue until August 2022. Using historical timing of M&R revenue from FY 2019 – FY 2021, an average of 90.9% of M&R revenue is received from August to June of each fiscal year. 90.9% of the estimated full fiscal year impact of \$6,611,111 results in (\$6,008,825) being the estimated fiscal impact for FY 2023. From FY 2024 going forward, the estimated impact per fiscal year is (\$6,611,111).

| Motor Vehicle Rentals Tax Static Analysis using FY 2021 Revenues & 8.5% Tax Rate | | | |
|---|---|--|---|
| Fiscal Year | Estimated Education Trust Fund Revenue with FY 2021 tax base and 8.5% rate from HB 2 (Chapter 91, Section 103-105) | Estimated Education Trust Fund FY Revenue with repeal | Fiscal Impact (Proposed Legislation Compared to Current Law) |
| 2023 | \$6,611,111 | \$602,286 | (\$6,008,825) |
| 2024 | \$6,611,111 | \$0 | (\$6,611,111) |
| 2025 | \$6,611,111 | \$0 | (\$6,611,111) |

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

The proposed legislation is effective July 1, 2022. M&R revenue is due by the 15th day of the month following the taxable period. The DRA recommends specifying an applicability date. A suggestion would be applicable to taxable periods beginning on or after July 1, 2022.