

New Hampshire Department of Revenue Administration

Fiscal Note Quick Guide

24-2762.1

HB 1492, *relative to the rate and exemptions of the interest and dividends tax.*

Ways and Means

This bill reimplements the interest and dividends tax

This bill reimplements the Interest and Dividends (“I&D”) tax under new chapter RSA 77-H in place of the current I&D tax that is scheduled to be repealed for taxable periods beginning after December 31, 2024. This new I&D tax is based on the current chapter law but with a few amendments. Notably, the proposed new chapter increases the current income thresholds and exemptions, and exemptions for taxpayers 65 years of age or older, blind taxpayers, and disabled, unable to work taxpayers who have not yet reached their sixty-fifth birthday.

The proposed legislation reinstates the Interest and Dividends tax at a rate of 5 percent effective taxable periods beginning on or after January 1, 2025. The proposed legislation takes effect July 1, 2024.

The proposed legislation sets the gross interest and dividend income threshold in determining taxable income for individuals, partnerships, limited liability companies, associations, and court appointed executors to \$7,500 from tax periods beginning on or after January 1, 2025. For tax years beginning January 1, 2027, the DRA shall biennially adjust these threshold amounts rounding to the nearest \$500 based on the 2-year (24-month) percentage change in the Consumer Price Index for All Urban Consumers, Northeast Region as published by the Bureau of Labor Statistics, United States Department of Labor using the amount published for the month of June in the year prior to the start of the tax year.

The proposed legislation sets the income exemption for each taxpayer to \$7,500 and additional exemptions for taxpayers 65 years of age or older, blind, or disabled, unable to work and have not yet reached their sixty-fifth birthday to \$3,750 from tax periods beginning on or after January 1, 2025. For tax years beginning January 1, 2027, the DRA shall biennially adjust these threshold amounts rounding to the nearest \$500 based on the 2-year (24-month) percentage change in the Consumer Price Index for All Urban Consumers, Northeast Region.

The proposed legislation exempts taxpayers with total interest and dividend income of less than \$7,500 (joint filers of less than \$15,000) from filing a I&D return. This threshold shall also be biennially adjusted by the DRA beginning January 1, 2027.

The DRA would be responsible for updating all necessary tax forms and electronic management systems related to this proposed legislation, which 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 increase to the General Fund starting in FY 2025. The Department has no definitive method to determine future I&D tax liability, credit carryforward amounts and future inflation. The DRA has calculated a possible fiscal impact based on Tax Year (TY) 2021 Net Taxable Income as follows:

1. Based on the effective date of the proposed legislation of taxable periods beginning on or after January 1, 2025, the DRA assumes the proposed legislation begins with taxable periods ending on or after December 31, 2025 (Tax Year 2025).
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 2024 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. The chart below reflects in each fiscal year, the portion of revenue from the respective tax years, the applicable I&D rate based on current law and the I&D rate based on the proposed legislation.
4. To calculate the FY 2024 thru FY 2027 revenues under current law, the DRA used TY 2021 Net Taxable Income of \$2,779,900,000 for the I&D starting point.
5. The I&D rate based on current law and the proposed legislation 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. This calculation keeps all income exemptions and additional exemptions unchanged.
6. The DRA then used the results in item (5) above and adjusted TY 2021 Net Taxable Income for the income exemption and additional exemption increases in the proposed legislation.
7. The estimated fiscal impact of the proposed legislation may be overstated or understated for future fiscal years depending on whether actual revenue is more or less than reported based on TY 2021 Net Taxable Income as well as the impact of inflation on exemption increases starting with TY 2027.
8. The estimated fiscal impact does not consider any overpayments/credit carryforwards on file. The use of these overpayments would decrease 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.

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%	5.00%	5.00%
	Tax Year 2023	68%	4.00%	4.00%
	Tax Year 2024	27%	3.00%	3.00%
Fiscal Year 2025	Tax Year 2023	5%	4.00%	4.00%
	Tax Year 2024	68%	3.00%	3.00%
	Tax Year 2025	27%	0.00%	5.00%
Fiscal Year 2026	Tax Year 2024	5%	3.00%	3.00%
	Tax Year 2025	68%	0.00%	5.00%
	Tax Year 2026	27%	0.00%	5.00%
Fiscal Year 2027 and Forward	Tax Year 2025 and forward	100%	0.00%	5.00%

Fiscal Impact by Fiscal Year

Interest and Dividends Tax- Static Analysis Using Tax Year 2021 Net Taxable Income

Fiscal Year	Current Law Revenue Using TY2021 Net Taxable Income	Estimated Revenue with Proposed Legislation	Estimated Fiscal Impact Per Year	Cumulative Fiscal Impact
2024	\$105,000,000	\$105,000,000	\$0	\$0
2025	\$62,300,000	\$94,600,000	\$32,300,000	\$32,300,000
2026	\$4,200,000	\$117,800,000	\$113,600,000	\$145,900,000
2027	\$0	\$119,500,000	\$119,500,000	\$265,400,000

No technical or mechanical defects noted.