

# New Hampshire Department of Revenue Administration

## Fiscal Note Quick Guide

23-0118

**HB 15**, *relative to the rate of the business enterprise tax.*

House Ways & Means

### **Reducing the Business Enterprise Tax (BET) rate from 0.55% to 0.5%**

The proposed legislation reduces the BET rate from 0.55% to 0.5% for tax years ending on or after December 31, 2024. The proposed legislation would take effect on July 1, 2023.

The fiscal impact of this proposed legislation is an indeterminable decrease to the General and Education Trust Fund starting in FY 2024. The DRA has calculated a possible fiscal impact based on a prior year's revenue as follows:

1. The DRA used FY 2022 cash basis revenue reported by the Department of Administrative Services in the Revenue Focus of \$332,700,00 for the BET starting point. FY 2022 BET would have a calculated taxable base of \$56,559,000,000 to use for the starting point.
2. The DRA's calculations considered the change in BET tax rates for Tax Years 2020 – 2021 included in FY 2023 revenue are 0.60% for BET and the BET rate of 0.55% for taxable periods ending on or after December 31, 2022 (Tax Year 2022).
3. 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 2022 and forward revenue was 15% attributable to tax year 2020, 63% attributable to tax year 2021, and 22% attributable to tax year 2022.
4. The BET rate change contained in this proposed legislation is then applied to calculate an estimated cumulative impact, as shown in the third column of the table under "Fiscal Impact of Rate Change by Fiscal Year."

The fiscal impact of the proposed rate reduction may be overstated or understated for future fiscal years depending on whether actual revenue is more or less than FY 2022 cash basis revenue.

Reducing the BET rate will also reduce the BET credit available to offset the BPT, increasing BPT revenue. Not all taxpayers have a BPT liability to be offset by a BET credit and not all taxpayer's BET liability exceeds the BPT credit. In those situations, the BET loss in revenue is not offset by an increased BPT liability. However, if a taxpayer's BPT liability exceeds the BET liability, the estimated BPT loss will be reduced by the reduction to the BET credit.

### Current Law Rates and Split

The Business Enterprise tax is currently assessed at the rate of 0.55% for BET, for taxable periods ending on or after December 31, 2022.

Fiscal Year	Tax Year	% Applicable to	
		Tax Year	BET Rates
Fiscal Year 2023	Tax Year 2021	15%	0.60%
	Tax Year 2022	63%	0.55%
	Tax Year 2023	22%	0.55%
Fiscal Year 2024 and forward	Tax Year 2022	100%	0.55%
	Tax Year 2023		0.55%
	Tax Year 2024		0.55%

### Proposed Legislation Rates and Split

The proposed legislation would affect Tax Year 2024 and forward as indicated in dark blue below beginning Fiscal Year 2024 and forward.

Fiscal Year	Tax Year	% Applicable to Tax	
		Year	BET Rates
Fiscal Year 2022	Tax Year 2020	15%	0.60%
	Tax Year 2021	63%	0.60%
	Tax Year 2022	22%	0.55%
Fiscal Year 2023	Tax Year 2021	15%	0.60%
	Tax Year 2022	63%	0.55%
	Tax Year 2023	22%	0.55%
Fiscal Year 2024	Tax Year 2022	15%	0.55%
	Tax Year 2023	63%	0.55%
	Tax Year 2024	22%	0.50%
Fiscal Year 2025	Tax Year 2023	15%	0.55%
	Tax Year 2024	63%	0.50%
	Tax Year 2025	22%	0.50%
Fiscal Year 2026 and forward	Tax Year 2024 and forward	100%	0.50%

## Fiscal Impact of Rate Changes by Fiscal Year

Business Enterprise Tax - Static Analysis using FY 2022 Revenues			
Fiscal Year	FY 2022 Revenues with Current Law	FY 2022 Revenues with Proposed Legislation's Decreased TY24 Rates	Cumulative Fiscal Impact (Proposed Legislation Compared to Current Law)
2024	\$311,074,500	\$304,853,010	(\$6,221,490)
2025	\$311,074,500	\$287,036,925	(\$24,037,575)
2026	\$311,074,500	\$282,795,000	(\$28,279,500)