

# New Hampshire Department of Revenue Administration

## Fiscal Note Quick Guide

22-2749

**HB 1500-FN-A**, *reducing the rate of the communications services tax and repealing the tax in 2025.*

### House Ways & Means

The proposed legislation phases out the 7% Communications Services Tax (CST). As drafted, the proposed legislation states that the CST rate will be “6 percent for 2022, 4 percent for 2023, and 2 percent for 2024. As drafted, it is unclear when the proposed rate reductions are intended to apply. However, based on feedback received from the bill’s drafter and sponsor, we have made the assumption that the proposed legislation will reduce the CST starting at 6% for FY 2023, 4% for FY 2024 and 2% for FY 2025.

Section 3 through 8 of the proposed legislation repeals the CST effective January 1, 2025. Based on feedback received from the bill’s drafter and sponsor, we have made the assumption that the proposed legislation is intended to repeal the CST effective July 1, 2025.

The DRA is unable to estimate the exact future impact of the proposed legislation because the DRA cannot predict future CST revenue. However, using CST revenue from a prior fiscal year, the DRA can calculate the fiscal impact had the legislation been in place in a prior year.

To calculate the revenue impact of the proposed rate change, the DRA used FY 2021 cash basis CST revenue, less the anomalous receivable revenue, reported by the Department of Administrative Services in the Revenue Focus, of \$39.6 million for the starting point.

FY 2021 cash basis CST revenue of \$39.6 million is divided by the current tax rate of 7% to calculate the taxable base of \$565.7 million. This base is multiplied by the proposed rates of 6%, 4% and 2% and applied to each fiscal year accordingly to estimate the revenue impact for FY 2023 and forward. The following chart shows the timing of the impact of each rate compared FY 2021 at the current 7% tax rate.

<b>Communciation Services Tax Static Analysis using FY 2021 Revenues</b>				
<b>\$ in Millions</b>				
<b>Fiscal Year</b>	<b>Proposed Rates</b>	<b>FY 2021 CST General Fund Revenue at 7.0%</b>	<b>CST General Fund Revenue at Proposed Rate Reductions</b>	<b>Fiscal Impact (Proposed Legislation Compared to Current Law)</b>
<b>2023</b>	6%	\$39.6	\$33.9	(\$5.7)
<b>2024</b>	4%	\$39.6	\$22.6	(\$17.0)
<b>2025</b>	2%	\$39.6	\$11.3	(\$28.3)
<b>2026 and forward</b>	Repealed	\$39.6	\$0.0	(\$39.6)

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