

New Hampshire Department of Revenue Administration

Fiscal Note Quick Guide

23-0764

SB 189, *relative to the definition of gross business profits in determining taxable business profits.*

House Ways and Means

Under current law, the IRC section 163(j) limitation caps the business interest expense deduction to the sum of business interest income, 30% of the adjusted taxable income, and floor plan financing interest expense. The business interest expense in excess of the 163(j) limitation shall be carried forward to the following year.

The proposed legislation would allow business organizations to fully deduct, commencing on or after January 1, 2024, the portion of its business interest expense that exceeded the 163(j) limitation.

The proposed legislation shall take effect January 1, 2024 and shall apply for tax year commencing on or after January 1, 2024.

Under current law, the effects of the excess business interest expense above the 163(j) limitation would be spread out over the years in which the business organization may fall below the 163(j) limitation. The proposed legislation accelerates the effects of business interest expense deduction to the year in which the business organization incurred that expense.

The DRA is unable to provide an estimate of the fiscal impact to revenue because the DRA does not have sufficient information on all the federal calculations made by business organizations to arrive at their federal business interest expense deduction. The potential fiscal impact is dependent on the amount of business interest expense incurred by business organizations in tax year commencing on or after January 1, 2024. The DRA expects an indeterminable decrease to the state revenues, reducing the General Fund and Education Trust Fund in the years when business organizations incur business interest expense deduction.