

HB 210-FN - AS INTRODUCED

2021 SESSION

21-0382

10/04

HOUSE BILL ***210-FN***

AN ACT increasing exemptions under the interest and dividends tax and decreasing the total amount of research and development credits against business taxes.

SPONSORS: Rep. Lang, Belk. 4; Rep. Weyler, Rock. 13; Rep. R. Ober, Hills. 37; Sen. Reagan, Dist 17; Rep. Binford, Graf. 15; Rep. Hough, Belk. 3

COMMITTEE: Ways and Means

ANALYSIS

This bill increases exemption amounts under the interest and dividends tax and decreases the annual total aggregate amount of the research and development tax credit against business taxes.

Explanation: Matter added to current law appears in ***bold italics***.
 Matter removed from current law appears ~~[in brackets and struckthrough]~~
 Matter which is either (a) all new or (b) repealed and reenacted appears in regular type.

STATE OF NEW HAMPSHIRE

In the Year of Our Lord Two Thousand Twenty One

AN ACT increasing exemptions under the interest and dividends tax and decreasing the total amount of research and development credits against business taxes.

Be it Enacted by the Senate and House of Representatives in General Court convened:

1 1 Interest and Dividends; Who Taxable. Amend RSA 77:3 to read as follows:

2 77:3 Who Taxable.

3 I. Taxable income is that income received from interest and dividends during the tax year
4 prior to the assessment date by:

5 (a) Individuals who are inhabitants or residents of this state for any part of the taxable
6 year whose gross interest and dividend income from all sources, including income from a qualified
7 investment company pursuant to RSA 77:4, V, exceeds [~~\$2,400~~] **\$3,500** during that taxable period.

8 (b) Partnerships, limited liability companies, and associations, the beneficial interest in
9 which is not represented by transferable shares, whose gross interest and dividend income from all
10 sources exceeds [~~\$2,400~~] **\$3,500** during the taxable year, but not including a qualified investment
11 company as defined in RSA 77-A:1, XXI, or a trust comprising a part of an employee benefit plan, as
12 defined in the Employee Retirement Income Security Act of 1974, section 3.

13 (c) Executors deriving their appointment from a court of this state whose gross interest
14 and dividend income from all sources exceeds [~~\$2,400~~] **\$3,500** during the taxable year.

15 II. No person shall be subject to tax under RSA 77 solely due to its holding an ownership
16 interest in a qualified investment company as defined in RSA 77-A:1, XXI.

17 2 Individual Exemptions Increased. Amend RSA 77:5 to read as follows:

18 77:5 Exemptions. Each taxpayer shall have the following exemptions:

19 I. Income of [~~\$2,400~~] **\$3,500**.

20 II. An additional [~~\$1,200~~] **\$1,750** if either or both taxpayers are 65 years of age or older on
21 the last day of the tax year.

22 III. An additional [~~\$1,200~~] **\$1,750** if either or both taxpayers are blind.

23 IV. An additional [~~\$1,200~~] **\$1,750** if either or both taxpayers are disabled, unable to work,
24 and have not yet reached their sixty-fifth birthday.

25 3 Business Profits Tax; Credits; Research and Development. Amend RSA 77-A:5, XIII(a)(1) to
26 read as follows:

27 (1) The aggregate of tax credits issued by the commissioner to all taxpayers claiming
28 the credit shall not exceed [~~\$7,000,000~~] **\$2,000,000** for any fiscal year.

29 4 Applicability. The amendments to RSA 77:3 and RSA 77:5 in sections 1 and 2 of this act shall
30 apply to tax years ending on and after December 31, 2022.

HB 210-FN - AS INTRODUCED

- Page 2 -

1 5 Effective Date.

2 I. Sections 1 and 2 of this act shall take effect January 1, 2022.

3 II. The remainder of this act shall take effect July 1, 2021.

HB 210-FN- FISCAL NOTE
AS INTRODUCED

AN ACT increasing exemptions under the interest and dividends tax and decreasing the total amount of research and development credits against business taxes.

FISCAL IMPACT: ☒ State ☐ County ☐ Local ☐ None

STATE:	Estimated Increase / (Decrease)			
	FY 2021	FY 2022	FY 2023	FY 2024
Appropriation	\$0	\$0	\$0	\$0
Revenue	\$0	Indeterminable	Indeterminable	Indeterminable
Expenditures	\$0	\$0	\$0	\$0
Funding Source:	<input checked="" type="checkbox"/> General	<input checked="" type="checkbox"/> Education	<input type="checkbox"/> Highway	<input type="checkbox"/> Other

METHODOLOGY:

This bill amends RSA 77:3,I (a) through (c) of the Interest and Dividends Tax by increasing the filing threshold from \$2,400 to \$3,500 and amends RSA 77:5 by increasing the exemption on income from \$2,400 to \$3,500 and increasing the exemption for blind, disabled and over 65 taxpayers from \$1,200 to \$1,750. The bill also decreases the research and development credit against business taxes from \$7,000,000 to \$2,000,000 for any fiscal year. The Interest and Dividends Tax changes in this bill would be applicable to tax years ending on or after December 31, 2022. Increasing the exemptions under the Interest and Dividends Tax will result in an indeterminable decrease in State General Fund revenue. The Department cannot determine the potential decrease in revenue in future years; however, the Department did apply the changes contained in this bill to tax year 2018 to show the impact on revenue in that tax year. If this bill had been in effect for tax year 2018, State General Fund revenue would have been reduced by \$5,081,735. Additionally, there are some taxpayers who have overpaid their tax liability that carry the overpayment as a credit rather than request a refund. If a taxpayer no longer has an Interest and Dividends Tax liability due to the changes in this bill, they may request their credit be refunded. The requested refunds would add to any revenue decrease attributable to this bill.

Reducing the research and development tax credit from \$7,000,000 to \$2,000,000 will result in an increase of up to \$5,000,000 of State General Fund and Education Trust Fund revenue. The research and development tax credit is allowed to be carried forward for 5 years. Due to the ability to carry forward the credit for 5 years, the Department has no means to determine when a carry forward credit will be utilized that would offset the maximum increase in revenue of \$5,000,000.

AGENCIES CONTACTED:

Department of Revenue Administration