

HB 1204-FN-A-LOCAL - AS INTRODUCED

2022 SESSION

22-2056

10/11

HOUSE BILL            ***1204-FN-A-LOCAL***

AN ACT                reducing the rate of the meals and rooms tax and increasing the revenue sharing of meals and rooms tax revenue with municipalities.

SPONSORS:            Rep. Deshaies, Carr. 6; Rep. J. MacDonald, Carr. 6; Rep. Crawford, Carr. 4; Rep. Bordes, Belk. 3

COMMITTEE:          Ways and Means

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ANALYSIS

This bill reduces the rate of the tax on meals, rooms, and gross rental receipts, and increases the percentage of meals and rooms tax revenues distributed to municipalities.

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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Matter which is either (a) all new or (b) repealed and reenacted appears in regular type.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 Two*

AN ACT reducing the rate of the meals and rooms tax and increasing the revenue sharing of meals and rooms tax revenue with municipalities.

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

1 1 Imposition of Tax. Amend RSA 78-A:6 to read as follows:

2 78-A:6 Imposition of Tax.

3 I. A tax of [~~8.5~~] **7.9** percent of the rent is imposed upon each occupancy.

4 II. A tax is imposed on taxable meals based upon the charge therefor as follows:

5 (a) [~~Four~~] **Two** cents for a charge between \$.36 and \$.37 inclusive;

6 (b) [~~Five~~] **Three** cents for a charge between \$.38 and \$.50 inclusive;

7 (c) [~~Six~~] **Four** cents for a charge between \$.51 and \$.62 inclusive;

8 (d) [~~Seven~~] **Five** cents for a charge between \$.63 and \$.75 inclusive;

9 (e) [~~Eight~~] **Six** cents for a charge between \$.76 and \$.87 inclusive;

10 (f) [~~Nine~~] **Seven** cents for a charge between \$.88 and \$1.00 inclusive;

11 (g) [~~Eight and a half~~] **7.9** percent of the charge for taxable meals over \$1.00, provided  
12 that fractions of cents shall be rounded up to the next whole cent.

13 II-a. A tax of [~~8.5~~] **7.9** percent is imposed upon the gross rental receipts of each rental.

14 III. The operator shall collect the taxes imposed by this section and shall pay them over to  
15 the state as provided in this chapter.

16 2 Applicability. RSA 78-A:6, as amended by section 1 of this act, shall be applicable to taxable  
17 periods beginning on or after July 1, 2023.

18 3 Meals and Rooms Tax; Reference to Rate. Amend RSA 78-A:7, I(a) to read as follows:

19 I.(a) The operator shall either state the amount of the tax to each occupant, purchaser of a  
20 meal, or renter, or state that the tax is included in the price of the occupancy, meal, or gross rental  
21 receipts received. If the amount of the tax is not separately stated, the purchaser's or occupant's  
22 contract or receipt shall include the following language:

23 "The [9] **7.9** percent tax on meals and rooms is included for the costs of meals and lodging only."

24 4 Distribution of Revenues; Percentage Increased. Amend RSA 78-A:26, III to read as follows:

25 III. On or before December 1, 2021 and each December 1 thereafter, [~~30~~] **40** percent of the  
26 net income determined under the introductory paragraph of paragraph I of the most recent fiscal  
27 year, after deductions for the cost of administration and revenues deposited in the education trust  
28 fund pursuant to paragraph II, shall be deposited into the meals and rooms municipal revenue fund  
29 for distribution to the unincorporated towns, unorganized places, towns, and cities. The amount to  
30 be distributed to each such town, place, or city shall be determined by multiplying the total amount

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1 to be distributed by a fraction, the numerator of which shall be the population of the unincorporated  
2 town, unorganized place, town, or city and the denominator of which shall be the population of the  
3 state. The population figures shall be based on the latest resident population figures furnished by  
4 the office of planning and development.

5       5 Effective Date. This act shall take effect July 1, 2023.

**HB 1204-FN-A-LOCAL- FISCAL NOTE  
AS INTRODUCED**

AN ACT reducing the rate of the meals and rooms tax and increasing the revenue sharing of meals and rooms tax revenue with municipalities.

**FISCAL IMPACT:**     State                     County                     Local                     None

STATE:	Estimated Increase / (Decrease)			
	FY 2022	FY 2023	FY 2024	FY 2025
<b>Appropriation</b>	\$0	\$0	\$0	\$0
<b>Revenue</b>	\$0	\$0	Indeterminable Decrease	Indeterminable Decrease
<b>Expenditures</b>	\$0	\$0	Indeterminable Increase	Indeterminable Increase
<b>Funding Source:</b>	<input checked="" type="checkbox"/> General <input checked="" type="checkbox"/> Education <input type="checkbox"/> Highway <input checked="" type="checkbox"/> Other - Meals and Rooms Municipal Revenue Fund			

**LOCAL:**

<b>Revenue</b>	\$0	\$0	Indeterminable Increase	Indeterminable Increase
<b>Expenditures</b>	\$0	\$0	\$0	\$0

**METHODOLOGY:**

This bill decreases the Meals and Rentals (M&R) tax rate from 8.5% to 7.9% for taxable periods beginning on or after July 1, 2023. Additionally the bill increases the M&R distribution to municipalities from 30% to 40%. The exact fiscal impact of this bill cannot be determined, however the Department is able to provide an estimate of the M&R tax rate reduction from 8.5 % to 7.9% based on the following information and assumptions:

- FY 2021 M&R tax base of \$3,750,004,222 derived by dividing the total tax collected by 9%. Total tax revenue collected of \$337,500,380, which includes \$328,146,248 of M&R on cash basis plus \$9,354,132 of retained commissions (approximately 2.8% (rounded) of total collected);
- Estimated FY 2021 revenue of \$309,915,901 assuming a 8.5% tax rate (\$3,750,004,222 \* 8.5% - (\$8,834,458 or 2.8% (rounded) commission retained);
- Estimated FY 2021 revenue of \$288,039,484 assuming a 7.9% tax rate (\$3,750,004,222 \* 7.9% - (\$8,210,849 or 2.8% (rounded) commission retained);
- Since the effective date of this bill is July 1, 2023 and M&R revenue is due by the 15th day of the month following the taxable period, the impact on revenue would not occur

until August 2023. On average, 90.9% of M&R revenue is collected between August and June of each fiscal year.

Assuming the estimated M&R revenue for FY 2021 at the 8.5% tax rate and 7.9% tax rate remains unchanged for the period of FY 2024 through FY 2026 and that 90.9% of revenue collected in FY 2024 would be impacted by the rate decrease, the following table provides an estimated impact.

<b>Meals &amp; Rentals Tax - Static Analysis using FY 2021 Revenues &amp; 8.5% Tax Rate</b>			
<b>Fiscal Year</b>	<b>Estimate Revenue with FY 2021 tax base and 8.5% rate from HB 2 (Chapter 91, Section 103-105)</b>	<b>Estimated FY Revenue under the proposed rate</b>	<b>Cumulative Fiscal Impact (Proposed Legislation Compared to Current Law)</b>
<b>2024</b>	<b>\$309,915,901</b>	<b>\$290,030,238</b>	<b>(\$19,885,663)</b>
<b>2025</b>	<b>\$309,915,901</b>	<b>\$288,039,484</b>	<b>(\$21,876,417)</b>
<b>2026</b>	<b>\$309,915,901</b>	<b>\$288,039,484</b>	<b>(\$21,876,417)</b>

The Treasury Department is not able to estimate the exact impact of the change to decrease the M&R rate from 8.5% to 7.9% and increase the net M&R income deposited into the Meals and Rooms Municipal Revenue Fund from 30% to 40%. However, the Department is able to provide an estimate of the impact based on the following assumptions:

- FY21 M&R Tax Revenue as a starting point (includes General and Education Trust Fund Revenues adding back the transfers for School Building Aid Debt Service).
- A revenue decrease of approximately 7% for FY24 based on the proposed rate reduction from 8.5% to 7.9%.
- Cost of Meals & Rooms Administration remain the same
- Cost of Education Trust Fund Revenues relating to M&R remains the same
- Amount of net income to be distributed into the M&R Municipal Revenue Fund increases from 30% to 40%
- Revenue for FY25 will remain flat.

	<b>FY 2021</b>	<b>Proposed FY 2024</b>	<b>Proposed FY 2025</b>
M&R Tax Revenue	\$343,300,000	\$319,067,059	\$319,067,059
(-) Cost of M&R Administration	(\$1,969,364)	(\$1,969,364)	(\$1,969,364)
(-) Education Trust Fund M&R Revenues	(\$7,248,000)	(\$7,248,000)	(\$7,248,000)
M&R Tax Revenues Net of Authorized Expenditures	\$334,082,636	\$309,849,695	\$309,849,695
Percent of Net Income Deposited into the M&R	30%	40%	40%

Municipal Revenue Fund per RSA 78-A:26, i (c)			
Total Amount to be Distributed	\$100,224,791	\$123,939,878	\$123,939,878
Increase/(Decrease)		\$23,715,087	\$23,715,087

Based on the assumptions, the Department estimates increasing the amount of net income to be distributed into the M&R Municipal Revenue Fund from 30% to 40% will increase the municipal distribution by an estimated \$23.7 million.

**AGENCIES CONTACTED:**

Department of Revenue Administration and Treasury Department