

HB 15-FN - AS INTRODUCED

2023 SESSION

23-0118

02/10

HOUSE BILL ***15-FN***

AN ACT relative to the rate of the business enterprise tax.

SPONSORS: Rep. Notter, Hills. 12; Rep. Osborne, Rock. 2; Rep. Steven Smith, Sull. 3; Rep. Layon, Rock. 13; Rep. Packard, Rock. 16; Rep. L. Turcotte, Straf. 4; Rep. Mooney, Hills. 12; Rep. Healey, Hills. 12; Rep. Aron, Sull. 4; Rep. Spillane, Rock. 1

COMMITTEE: Ways and Means

ANALYSIS

 This bill reduces the rate of the business enterprise tax for tax years ending on or after December 31, 2024.

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 Matter which is either (a) all new or (b) repealed and reenacted appears in regular type.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

AN ACT relative to the rate of the business enterprise tax.

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

1 1 New Paragraph; Business Enterprise Tax; Rate Reduced 2024. Amend RSA 77-E:2 by
2 inserting after paragraph II the following new paragraph:

3 III. For all taxable periods ending on or after December 31, 2024, a tax is imposed at the
4 rate of 0.50 percent upon the taxable enterprise value tax base of every business enterprise.

5 2 Effective Date. This act shall take effect July 1, 2023.

**HB 15-FN- FISCAL NOTE
AS INTRODUCED**

AN ACT relative to the rate of the business enterprise tax.

FISCAL IMPACT: ☒ State ☐ County ☐ Local ☐ None

STATE:	Estimated Increase / (Decrease)			
	FY 2023	FY 2024	FY 2025	FY 2026
Appropriation	\$0	\$0	\$0	\$0
Revenue	\$0	Indeterminable Decrease	Indeterminable Decrease	Indeterminable Decrease
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 reduces the Business Enterprise Tax (BET) rate from 0.55% to 0.50% for taxable periods ending on or after December 31, 2024. The Department of Revenue Administration states the fiscal impact is indeterminable as the Department is not able to predict future BET tax revenue. Based on the following assumptions/information, the Department is able to estimate a possible fiscal impact:

- the starting point for calculating the fiscal impact on FY 2024 thru FY 2026 revenues is the FY 2022 cash basis BET of \$332,700,000.
- based on a tax year revenue analysis of prior fiscal years, it was determined fiscal year tax revenue is comprised of 15 percent from the tax year 2 years ago, 63 percent is from the tax year 1 year ago and 22 percent from the current tax year (See table 1 below)
- current law tax rates for Tax Years 2020 – 2021 included in FY 2023 revenue are 0.60% for BET. Pursuant to Chapter 91, Section 109-111, Laws of 2021 the BET rate is reduced from 0.6% to 0.55% for taxable periods ending on or after December 31, 2022 (Tax Year 2022) (See table 1 below).
- applying the tax year revenue analysis splits for FY 2022 BET revenue as well as applying the applicable tax rates provides a taxable base of \$56,559,000,000 to use for the starting point of calculating the fiscal impact.

The first table below provides the tax rates and splits. The second table provides an estimated impact the rate changes will have on revenue.

Table 1. Proposed Legislation Rates and Splits

(The proposed legislation would affect Tax Year 2024 and forward as indicated in shaded cells)

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%

Table 2. BET Rate Change Fiscal Impact - Static Analysis

Fiscal Year	FY 2022 Revenues with Current Law	FY 2022 Revenues with Proposed Legislation's Decreased TY 24 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)

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

Pursuant to RSA 77-E:14, BET revenue is deposited into the Education Trust Fund at a rate equal to the additional amounts of revenue produced "by an increase of 0.50 percent in the rate" of the BET tax. This is determined by dividing 0.50% by the current BET tax rate. In current

law for taxable periods ending on or after December 31, 2022, 0.50% / 0.55% tax rate results in 90.91% of BET revenue being deposited into the Education Trust Fund, with the remaining amount staying in the General Fund. Under the proposed legislation for taxable periods ending on or after December 31, 2024, 0.50% / 0.50% proposed tax rate results in 100.00% of BET revenue being deposited into the Education Trust Fund.

The Department would need to update all necessary tax return forms and electronic management systems to reflect the change in the BET rate; however, it is not anticipated this will result in any additional administrative costs that could not be absorbed in the Department's operating budget.

AGENCIES CONTACTED:

Department of Revenue Administration