

HB 1221-FN - AS AMENDED BY THE HOUSE

17Mar2022... 0471h

2022 SESSION

22-2291

10/05

HOUSE BILL **1221-FN**

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

SPONSORS: Rep. Notter, Hills. 21; Rep. Turcotte, Straf. 4; Rep. Osborne, Rock. 4; Rep. Abramson, Rock. 37; Rep. Mooney, Hills. 21; Rep. Hobson, Rock. 35; Rep. Potucek, Rock. 6; Rep. Healey, Hills. 21

COMMITTEE: Ways and Means

AMENDED ANALYSIS

This bill reduces the rate of the business profits tax for tax years ending on or after December 31, 2023.

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Matter which is either (a) all new or (b) repealed and reenacted appears in regular type.

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STATE OF NEW HAMPSHIRE

In the Year of Our Lord Two Thousand Twenty Two

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

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

1 1 New Paragraph; Business Profits Tax; Imposition of Rate; Rate Reduced 2023. Amend RSA
2 77-A:2 by inserting after paragraph II the following new paragraph:

3 III. For all taxable periods ending on or after December 31, 2023, a tax is imposed at the
4 rate of 7.5 percent upon the taxable business profits of every business organization.

5 2 Effective Date. This act shall take effect upon its passage.

HB 1221-FN- FISCAL NOTE
 AS AMENDED BY THE HOUSE (AMENDMENT #2022-0471h)

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

FISCAL IMPACT: State County Local None

STATE:	Estimated Increase / (Decrease)			
	FY 2022	FY 2023	FY 2024	FY 2025
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 Profits Tax (BPT) rate from 7.6% to 7.5% for taxable periods ending on or after December 31, 2023. The Department of Revenue Administration states the fiscal impact is indeterminable as the Department is not able to predict future BPT 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 2023 thru FY 2025 revenues is the FY 2021 cash basis BPT revenue less anomalous receivable revenue (revenue received in FY 2021 that is credited back to FY 2020) of \$652,438,837);
- based on a tax year revenue analysis of FY 2021 revenue it was determined 15 percent is attributable to tax year 2019, 63 percent is attributable to tax year 2020, and 22 percent is attributable to tax year 2021; and
- the current law tax rates for Tax Years 2019 – 2021 included in FY 2021 revenue are 7.7% for BPT. Pursuant to Chapter 91:109-111, laws of 2021 the BPT rate is reduced from 7.7% to 7.6% for taxable periods ending on or after December 31, 2022;
- applying the tax year revenue analysis splits for FY 2021 BPT revenue as well as applying the applicable rates creates a base of \$8,473,231,647 to use for the starting point of the calculating the fiscal impact.

The first table below provides the tax rates and split as proposed in this bill. The last table provides an estimated impact the rate changes will have on revenue.

Proposed Legislation Rates and Split

(The proposed legislation would affect Tax Year 2023 and forward as indicated in shaded cells below)

Fiscal Year	Tax Year	Percent Applicable to Tax Year	BPT Rates
Fiscal Year 2021	Tax Year 2019	15%	7.7%
	Tax Year 2020	63%	7.7%
	Tax Year 2021	22%	7.7%
Fiscal Year 2022	Tax Year 2020	15%	7.7%
	Tax Year 2021	63%	7.7%
	Tax Year 2022	22%	7.6%
Fiscal Year 2023	Tax Year 2021	15%	7.7%
	Tax Year 2022	63%	7.6%
	Tax Year 2023	22%	7.5%
Fiscal Year 2024	Tax Year 2022	15%	7.6%
	Tax Year 2023	63%	7.5%
	Tax Year 2024	22%	7.5%
Fiscal Year 2025 and forward	Tax Year 2023 and forward	100%	7.5%

Fiscal Impact of Rate Changes by Fiscal Year

Business Profits Tax - Static Analysis Using 2021 Revenues			
Fiscal Year	FY 2021 Revenues with Current Law's Decreased TY22 Rates	FY 2021 Revenues with Proposed Legislation's Decreased TY 23 Rates	Cumulative Fiscal Impact (Proposed Legislation Compared to Current Law)
2023	\$645,236,590	\$643,372,479	(\$1,864,111)
2024	\$643,965,605	\$636,763,358	(\$7,202,247)
2025	\$643,965,605	\$635,492,374	(\$8,473,231)

The fiscal impact of the proposed rate reductions 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 2021 cash basis revenue less the anomalous receivable revenue (revenue received in FY 2021 that is credited back to FY 2020).

The Department would need to update all necessary tax return forms and electronic management systems to reflect the change in rates; however, it is not anticipated this will result

in any additional administrative cost that could not be absorbed in the Department's operating budget.

AGENCIES CONTACTED:

Department of Revenue Administration