

HB 192-FN - AS INTRODUCED

2023 SESSION

23-0403

02/04

HOUSE BILL            ***192-FN***

AN ACT                relative to the rate and exemptions of the interest and dividends tax.

SPONSORS:          Rep. Almy, Graf. 17

COMMITTEE:        Ways and Means

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ANALYSIS

This bill repeals the previously passed phase out of the interest and dividends tax and changes the rates and exemptions.

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                         Matter which is either (a) all new or (b) repealed and reenacted appears in regular type.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

AN ACT relative to the rate and exemptions of the interest and dividends tax.

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

- 1       1 Repeal. 2021, 91:99, II, relative to taxation of incomes, is repealed.
- 2       2 Taxation of Incomes; Rate. RSA 77:1 is repealed and reenacted to read as follows:
- 3       77:1 Rate. The annual tax upon incomes shall be levied at the rate of 5 percent.
- 4       3 Taxation of Income; Who Taxable. Amend RSA 77:3, I to read as follows:
- 5           I. Taxable income is that income received from interest and dividends during the tax year
- 6 prior to the assessment date by:
- 7           (a) Individuals who are inhabitants or residents of this state for any part of the taxable
- 8 year whose gross interest and dividend income from all sources, including income from a qualified
- 9 investment company pursuant to RSA 77:4, V, exceeds [~~\$2,400~~] **\$7,500** during that taxable period.
- 10          (b) Partnerships, limited liability companies, and associations, the beneficial interest in
- 11 which is not represented by transferable shares, whose gross interest and dividend income from all
- 12 sources exceeds [~~\$2,400~~] **\$7,500** during the taxable year, but not including a qualified investment
- 13 company as defined in RSA 77-A:1, XXI, or a trust comprising a part of an employee benefit plan, as
- 14 defined in the Employee Retirement Income Security Act of 1974, section 3.
- 15          (c) Executors deriving their appointment from a court of this state whose gross interest
- 16 and dividend income from all sources exceeds [~~\$2,400~~] **\$7,500** during the taxable year.
- 17       4 Taxation of Incomes; Exemptions. Amend RSA 77:5 to read as follows:
- 18       Each taxpayer shall have the following exemptions:
- 19           I. Income of [~~\$2,400~~] **\$7,500**.
- 20           II. An additional [~~\$1,200~~] **\$3,500** 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~~] **\$3,500** if either or both taxpayers are blind.
- 23           IV. An additional [~~\$1,200~~] **\$3,500** if either or both taxpayers are disabled, unable to work,
- 24 and have not yet reached their sixty-fifth birthday.
- 25       5 Effective Date. This act shall take effect January 1, 2024.

**HB 192-FN- FISCAL NOTE  
AS INTRODUCED**

AN ACT relative to the rate and exemptions of the interest and dividends tax.

**FISCAL IMPACT:**    ☒ State                    ☐ County                    ☐ Local                    ☐ None

STATE:	Estimated Increase / (Decrease)			
	FY 2023	FY 2024	FY 2025	FY 2026
<b>Appropriation</b>	\$0	\$0	\$0	\$0
<b>Revenue</b>	\$0	Indeterminable Increase	Indeterminable Increase	Indeterminable Increase
<b>Expenditures</b>	\$0	\$0	\$0	\$0
<b>Funding Source:</b>	<input checked="" type="checkbox"/> General	<input type="checkbox"/> Education	<input type="checkbox"/> Highway	<input type="checkbox"/> Other

**METHODOLOGY:**

This bill reverses the repeal of the Interest and Dividend Tax (I&D), setting the rate back to 5 percent. The bill also increases the gross income threshold for determining taxable income as well as increases the exemptions for individuals that are 65 years or older, blind, or disabled. These changes are proposed to take effect January 1, 2024.

The Department of Revenue Administration states the impact on General Funds is indeterminable as the Department is not able to predict future I&D tax liability or credit carryforward amounts. Based on the following assumptions/information, the Department is able to estimate a possible fiscal impact:

- as this bill takes effect January 1, 2024, it is assumed the bill begins with **taxable periods ending on or after December 31, 2024 (Tax Year 2024)**..
- the starting point for calculating the fiscal impact is the Tax Year 2021 net taxable income of \$2,739,400,000 for I&D.
- based on a tax year revenue analysis of prior fiscal years, it was determined fiscal year tax revenue is comprised of 5 percent from the tax year 2 years prior, 68 percent is from the tax year 1 year prior and 27 percent from the current tax year (See table 1 below)
- the I&D rate based on current law and the proposed bill is applied to the relevant tax year in each fiscal year, keeping all income exemptions and additional exemptions unchanged, to provide an estimated revenue for each fiscal year.
- the results for each fiscal year as determined in bullet above and adjusted Tax Year 2021 net taxable income are used for the income exemption and additional exemption increases as proposed in the bill.

The first table below provides the tax rates and splits. The second table provides an estimated impact repealing the I&D tax will have on revenue.

**Table 1. Current Law and Proposed Legislation Rates and Splits**

<b>Fiscal Year (FY)</b>	<b>Tax Year (TY)</b>	<b>% Applicable to Tax Year</b>	<b>Current Law I&amp;D Rates</b>	<b>Proposed Law I&amp;D Rates</b>
FY 2023	TY 2021	5%	5.0%	5.0%
	TY 2022	68%	5.0%	5.0%
	TY 2023	27%	4.0%	4.0%
FY 2024	TY 2022	5%	5.0%	5.0%
	TY 2023	68%	4.0%	4.0%
	TY 2024	27%	3.0%	5.0%
FY 2025	TY 2023	5%	4.0%	4.0%
	TY 2024	68%	3.0%	5.0%
	TY 2025	27%	2.0%	5.0%
FY 2026	TY 2024	5%	3.0%	5.0%
	TY 2025	68%	2.0%	5.0%
	TY 2026	27%	1.0%	5.0%
FY 2027	TY 2025	5%	2.0%	5.0%
	TY 2026	68%	1.0%	5.0%
	TY 2027	27%	0.0%	5.0%
FY 2028	TY 2026	5%	1.0%	5.0%
	TY 2027	68%	0.0%	5.0%
	TY 2028	27%	0.0%	5.0%
FY 2029 and forward	TY 2027 and forward	100%	0.0%	5.0%

**Table 2. I&D Repeal Fiscal Impact - Static Analysis**

<b>Fiscal Year</b>	<b>FY 2022 Revenues with Current Law</b>	<b>FY 2022 Revenues with Proposed Legislation</b>	<b>Estimated Fiscal Impact Per Year (Proposed Legislation Compared to Current Law)</b>	<b>Cumulative Fiscal Impact (Proposed Legislation Compared to Current Law)</b>
2024	\$103,500,000	\$113,200,000	\$9,700,000	\$9,700,000
2025	\$76,200,000	\$117,600,000	\$41,400,000	\$51,100,000

2026	\$48,800,000	\$118,000,000	\$69,200,000	\$120,300,000
2027	\$21,300,000	\$118,000,000	\$96,700,000	\$217,000,000
2028	\$1,400,000	\$118,000,000	\$116,600,000	\$333,600,000
2029	\$0	\$118,000,000	\$118,000,000	\$451,600,000

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 Tax Year 2021 net taxable income. The estimated fiscal impact does not account for any overpayment/ credit carry forwards on file. The use of these overpayments would decrease revenue as taxpayers would apply the overpayments to any I&D tax liability or request a refund.

The Department would need to update all necessary tax return forms and electronic management systems to reflect the changes contained in this bill; 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