

SB 405-FN – AS INTRODUCED

2012 SESSION

12-3068
04/09

SENATE BILL ***405-FN***

AN ACT establishing the workforce investment tax credit.

SPONSORS: Sen. Stiles, Dist 24; Sen. Forsythe, Dist 4; Sen. Luther, Dist 12

COMMITTEE: Ways and Means

ANALYSIS

This bill establishes a workforce investment tax credit against the business profits tax for contributions made to the community college system of New Hampshire.

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 Matter which is either (a) all new or (b) repealed and reenacted appears in regular type.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

AN ACT establishing the workforce investment tax credit.

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

1 1 Purpose. The purpose of this act is to facilitate investment by New Hampshire businesses in
2 strengthening the state’s workforce and supporting economic advancement, promoting the general
3 welfare and strengthening the partnerships between New Hampshire businesses, their community-
4 based postsecondary educational institutions, and the state.

5 2 New Section; Community College System of New Hampshire; Workforce Investment Tax
6 Credit. Amend RSA 188-F by inserting after section 12 the following new section:

7 188-F:12-a Workforce Investment Tax Credit.

8 I. A workforce investment tax credit equal to 50 percent of cash donations made during the
9 contributor’s tax year to the community college system of New Hampshire, any of the colleges within
10 the community college system of New Hampshire, or to the Community Colleges of New Hampshire
11 Foundation, for the purpose of funding workforce development programs, student scholarships, or
12 activities that support the development of a highly-skilled workforce shall be allowed against any of
13 the following individually or in combination:

14 (a) Taxes imposed pursuant to RSA 77-A.

15 (b) Taxes imposed pursuant to RSA 400-A.

16 (c) Taxes imposed pursuant to RSA 77-E.

17 II. Credits permitted under this section and applied against the tax liability imposed by
18 RSA 400-A and RSA 77-E shall be deemed to be taxes paid for the purpose of RSA 77-A:5, III and X,
19 respectively.

20 III. The aggregate tax credits issued by the commissioner of the department of revenue
21 administration to all contributors claiming the credit shall not exceed \$10,000,000 for any fiscal year.

22 IV. Contributors shall apply for the tax credit on forms provided by the commissioner of the
23 department of revenue administration that shall be accompanied by records verifying receipt of
24 contributions by the community college system of New Hampshire, any college within the community
25 college system of New Hampshire, or the Community Colleges of New Hampshire Foundation of a
26 contribution and providing the amount of the contribution. The commissioner of the department of
27 revenue administration shall award credits upon submission of complete applications until the
28 aggregate credit amount is reached.

29 V. A determination on the final amount of the credit awarded by the commissioner of the
30 department of revenue administration to each contributor claiming the credit shall be made no later
31 than September 30 of each year.

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1 VI. The contributor may carry forward any unused portion of the credit into subsequent tax
2 years until the credit is fully used, up to a maximum of 3 tax years.

3 VII. The community college system of New Hampshire shall remit to the department of
4 revenue administration an amount equal to a percentage of the total contributions received during
5 the fiscal year as follows:

6 (a) For the fiscal year ending June 30, 2013, 50 percent.

7 (b) For the fiscal year ending June 30, 2014, 40 percent.

8 (c) For the fiscal year ending June 30, 2015, 30 percent.

9 (d) For the fiscal year ending June 30, 2016, 20 percent.

10 (e) For the fiscal year ending June 30, 2017, 10 percent.

11 3 New Paragraph; Business Profits Tax; Credits. Amend RSA 77-A:5 by inserting after
12 paragraph XIV the following new paragraph:

13 XV. The workforce investment tax credit as computed in RSA 188-F:12-a.

14 4 New Section; Business Enterprise Tax; Workforce Investment Tax Credit. Amend RSA 77-E
15 by inserting after section 3-c the following new section:

16 77-E:3-d Workforce Investment Tax Credit. The workforce investment tax credit, as computed
17 in RSA 188-F:12-a, shall be allowed as a credit against the tax imposed under this chapter.

18 5 Effective Date. This act shall take effect July 1, 2012.

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SB 405 FISCAL NOTE

AN ACT establishing the workforce investment tax credit.

FISCAL IMPACT:

The Department of Revenue Administration states this bill will decrease state revenue and increase state expenditures by an indeterminable amount in FY 2013 and each year thereafter. This bill will have no impact on county and local revenue or expenditures.

METHODOLOGY:

The Department of Revenue Administration (DRA) states this bill establishes a workforce investment tax credit against the business profits tax (BPT), business enterprise tax (BET), and the Insurance Premium Tax equal to 50% of the amount of a donation made to the community college system of New Hampshire (CCSNH). If the credit is used against the BET or the Insurance Premium Tax, the amount used is deemed taxes paid and thus, can be used as a credit against the BPT as taxes paid under BET and the Insurance Premium Tax are allowed as a credit against BPT liability under RSA 77-A:5. The credit is capped at \$10,000,000 per fiscal year and the Department receives application and awards credits until the cap is reached. However, given the availability to use the credit against the BET and the Insurance Premium Tax, and then against the BPT, the amount of credits utilized could be as high as \$20,000,000 as the Department has no way of knowing how the credits will be utilized. Any unused credit can be carried forward for up to three years. CCSNH is required to remit a percentage of the total contributions received during a fiscal year to DRA. The amount required to remit is equal to 50% in FY 2013, 40% in FY 2014, 30% in FY 2015, 20% in FY 2016, and 10% in FY 2017. The Department assumes that the amounts remitted shall be deposited into the state general fund or education trust fund to help offset the revenue impact of the credits.

The Department does not have any information in order to project the cost of having taxpayers receive the workforce investment tax credit as this would be a new tax credit. The Department has no way of determining which business organizations, or how many business organizations, would be eligible for the tax credit and how they would utilize the tax credit. A tax credit reduces a taxpayer's tax liability dollar for dollar, but the Department cannot estimate how much of the credit will be awarded and, therefore, how much would be remitted to the Department from CCSNH, or how much of that credit would actually be used to offset the

taxpayer's BET, BPT, or Insurance Premium Tax liability. The DRA states they could not administer this bill without an increase in staffing and funding to develop, implement and administer this workforce investment tax credit program. The exact fiscal impact cannot be determined at this time.