

HB 370-FN – AS INTRODUCED

2013 SESSION

13-0725  
04/09

HOUSE BILL            ***370-FN***

AN ACT                repealing the education tax credit program.

SPONSORS:           Rep. Gile, Merr 27; Rep. Porter, Hills 1; Rep. Frazer, Merr 13; Rep. Gorman, Hills 31; Rep. Gargas, Hills 27; Rep. Vaillancourt, Hills 15; Rep. P. Sullivan, Hills 10; Sen. Kelly, Dist 10

COMMITTEE:        Ways and Means

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ANALYSIS

This bill repeals the education tax credit program.

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Explanation:        Matter added to current law appears in ***bold italics***.  
                         Matter removed from current law appears ~~[in brackets and struck through]~~.  
                         Matter which is either (a) all new or (b) repealed and reenacted appears in regular type.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 Thirteen*

AN ACT                    repealing the education tax credit program.

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

- 1            1 Repeal. The following are repealed:
- 2            I. RSA 77-A:5, XV, relative to the education tax credit against the business profits tax.
- 3            II. RSA 77-E:3-d, relative to the education tax credit against the business enterprise tax.
- 4            III. RSA 77-G, relative to education tax credit.
- 5            2 Effective Date. This act shall take effect upon its passage.

## HB 370 FISCAL NOTE

AN ACT                      repealing the education tax credit program.

### FISCAL IMPACT:

The Departments of Education and Revenue Administration state this bill, as introduced, may increase state revenue by \$3,740,000 in FY 2014, \$5,610,000 in FY 2015, \$7,012,500 in FY 2016, increase state expenditures and local revenue by \$3,989,776 in FY 2014, \$5,918,739 in FY 2015, \$6,841,887 in FY 2016, and increase local expenditures by \$301,915 in FY 2014, \$446,620 in FY 2015, and \$511,241 in FY 2016. This bill will have no fiscal impact on county revenue and expenditures.

### METHODOLOGY:

The Department of Revenue Administration (DRA) states this bill would repeal the education credit against the business profits tax (BPT) and/or the business enterprise tax (BET) for business organizations that contribute to scholarship organizations which awards scholarships to be used by students to defray education expenses of attending an independent school. Currently, the BPT tax credit amounts are established at \$3,400,000 in FY 2014, \$5,100,000 in FY 2015, and can increase by 25% in each fiscal year thereafter if the amount of total donations used for scholarships exceed 80% of the current year's tax program allowed (estimated at approximately \$6,375,000 in FY 2016). For the purposes of this fiscal note, the Department assumes the amount of tax credits would have been awarded in their entirety under current law. In addition, 8.5% of the amounts would have had an additional impact against BPT amounts paid. The estimated combined state general fund/education trust fund revenue impact of the repeal as compared to current law would be as follows –

	FY 2014	FY 2015	FY 2016
<b>State Revenues</b>			
BPT/BET Tax Credit (85% of Contributions)	\$3,400,000	\$5,100,000	\$6,375,000
BPT Impact (8.5% of Contributions)	<u>\$340,000</u>	<u>\$510,000</u>	<u>\$637,500</u>
Total State Revenue Impact	\$3,740,000	\$5,610,000	\$7,012,500

The Department of Education (DOE) states this bill would repeal the Education Tax Credit program under RSA 77-G. The current education tax credit allows for businesses to claim a tax credit against the BET or BPT for 85% of any contribution made to a scholarship organization

established pursuant to RSA 77-G. RSA 77-G:7 requires DOE to determine the number of students receiving a scholarship who were counted in the calculation of the average daily membership in attendance for schools, other than chartered public schools, for the student's school district of residence and for each such student, and deduct the adequate education grant calculated on behalf of that student from the total adequate education grant disbursed to that student's district. Assuming the Education Tax Credit program would have decreased state adequacy payments to local school districts, and decreased costs to local school districts as a result of students leaving public schools to attend private schools, the repeal of such program has the potential to increase adequacy payments (state expenditures and local revenue) and costs to local school districts by removing said program from statute.

Based on the Department's analysis of SB 372 as passed in 2012 (Chapter 287, Laws of 2012), the Department estimates the fiscal impact of this bill as follows -

	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>
<b>State Expenditures</b>			
Increase in adequacy			
payments to locals	<u>\$3,989,776</u>	<u>\$5,918,739</u>	<u>\$6,841,887</u>
Total State Expenditure Impact	\$3,989,776	\$5,918,739	\$6,841,887
<b>Local Revenues</b>			
Increase in adequacy			
payments from State	<u>\$3,989,776</u>	<u>\$5,918,739</u>	<u>\$6,841,887</u>
Total Local Revenue Impact	\$3,989,776	\$5,918,739	\$6,841,887
<b>Local Expenditures</b>			
Increase in local costs			
due to more students	<u>\$301,915</u>	<u>\$446,620</u>	<u>\$511,241</u>
Total Local Expenditure Impact	\$301,915	\$446,620	\$511,241