

HB 434-FN-A – AS INTRODUCED

2013 SESSION

13-0616
10/09

HOUSE BILL ***434-FN-A***

AN ACT relative to renaming the business enterprise tax, capping the amount an employer is liable to pay under such tax, and annually reducing the rate of the tax.

SPONSORS: Rep. Hoell, Merr 23; Rep. Itse, Rock 10

COMMITTEE: Ways and Means

ANALYSIS

This bill renames the business enterprise tax as the business income tax, requires that a taxpayer of the business income tax not pay greater amounts in any subsequent year, and lowers the rate of the tax incrementally over 20 years.

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 Matter which is either (a) all new or (b) repealed and reenacted appears in regular type.

STATE OF NEW HAMPSHIRE

In the Year of Our Lord Two Thousand Thirteen

AN ACT relative to renaming the business enterprise tax, capping the amount an employer is liable to pay under such tax, and annually reducing the rate of the tax.

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

1 1 Chapter Renamed; Business Income Tax. Amend the chapter heading of RSA 77-E to read as
2 follows:

3 CHAPTER 77-E

4 BUSINESS ~~[ENTERPRISE]~~ **INCOME** TAX

5 2 References Changed; Business Enterprise Tax to Business Income Tax. Amend the following
6 RSAs by replacing the term “business enterprise tax” with the term “business income tax”: 14-B:8,
7 III; 15-A:5, I(d); 21-J:45, I(b); 77-A:7, I; 77-E:3-b; 77-E:5, II; 77-E:11, II; 77-F:1, III; 77-G:3; 77-G:5,
8 I(i); 162-N:7; 198:39, I(b); and the section heading of 400-A:34-a.

9 3 Business Income Tax; Annual Rate Reduction. Amend RSA 77-E:2 to read as follows:

10 77-E:2 Imposition of Tax. A tax is imposed at the rate of 3/4 of one percent upon the taxable
11 enterprise value tax base of every business enterprise; ***provided, however, that beginning July 1,***
12 ***2013 and continuing for the following 20 tax years, the rate imposed shall be reduced by***
13 ***.025 percent from the previous year’s rate. The commissioner shall annually publish and***
14 ***enforce the rate as reduced according to this section.***

15 4 Distribution of Funds; Education Trust Fund. Amend RSA 77-E:14, I to read as follows:

16 I. The commissioner shall determine the additional amounts of revenue produced by ~~an~~
17 ~~increase of .50 percent in the~~ ***two-thirds of the current*** rate of tax imposed by RSA 77-E:2 for
18 each fiscal year and shall certify such amounts to the state treasurer by October 1 of that year for
19 deposit in the education trust fund established by RSA 198:39.

20 5 New Paragraph; Business Income Tax; Cap on Annual Liability. Amend RSA 77-E:5 by
21 inserting after paragraph II the following new paragraph:

22 III. Notwithstanding the calculation of tax under this chapter or any other contrary
23 provision of law, a business enterprise liable for taxes under this chapter shall show in its return
24 under this section the amount of business income taxes paid by such business in the previous tax
25 year and shall reduce its liability in the current year, if applicable, to be not greater than the amount
26 from the previous tax year. The commissioner shall accept all such returns as valid, shall enforce the
27 resulting payments as due under RSA 77-E:6, and shall not require an additional return under
28 RSA 77-E:7.

29 6 Effective Date. This act shall take effect July 1, 2013.

HB 434 FISCAL NOTE

AN ACT relative to renaming the business enterprise tax, capping the amount an employer is liable to pay under such tax, and annually reducing the rate of the tax.

FISCAL IMPACT:

The Department of Revenue Administration states this bill, as introduced, will decrease state revenue by \$6,536,667 in FY 2014, \$13,073,333 in FY 2015, \$19,610,000 in FY 2016, and \$26,146,667 in FY 2017, and increase state expenditures by an indeterminable amount in FY 2014 and each fiscal year thereafter. There will be no fiscal impact on county and local revenues or expenditures.

METHODOLOGY:

The Department of Revenue Administration states this bill renames the Business Enterprise Tax as the Business Income Tax; gradually reduces the rate of the tax by .025% per year over a 20 year period; and provides that any business enterprise liable for the tax, shall reduce its liability in the current year to be not greater than the amount from the previous year. The Department notes the change in the name of the tax in conjunction with the steady decline in the rate of the tax would require the Department to change the name of the tax on all relevant forms, publications, and rules, to update various forms and publications annually to reflect the ongoing rate reductions. The Department is unable to determine the extent to which the increased frequency of changes to forms and publications would increase state expenditures in FY 2014 and each year thereafter.

For the purposes of estimating the proposed legislation's impact on future revenues, the Department assumes the current estimated tax base of \$26,146,666,667 (FY2013 estimated revenue of \$196,100,000 / .75%) remains constant. The Department also notes the reduction of the business enterprise tax rate will also reduce the amount of business enterprise tax credits available to offset business profits taxes, thereby increasing business profit tax revenue. The Department does not consider the proposed legislation's impact on business profits tax revenue in their estimates.

The Department states the proposed legislation's impact on state revenues as follows:

Fiscal Year	Tax Rate	Estimated Tax Revenue	Reduction in Revenue from FY13 Estimate	Amount to General Fund	Amount to Education Trust Fund
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2013	0.750%	\$ 196,100,000	\$ (0.00)	\$ (0.00)	\$ (0.00)
2014	0.725%	\$ 189,563,333	\$ 6,536,667	\$ 2,178,671	\$ 4,357,996
2015	0.700%	\$ 183,026,667	\$ 13,073,333	\$ 4,357,342	\$ 8,715,991
2016	0.675%	\$ 176,490,000	\$ 19,610,000	\$ 6,536,013	\$ 13,073,987
2017	0.650%	\$ 169,953,333	\$ 26,146,667	\$ 8,714,684	\$ 17,431,983