

HB 1596-FN-A – AS INTRODUCED

2014 SESSION

14-2056
10/08

HOUSE BILL ***1596-FN-A***

AN ACT allowing for an adjustment to business enterprise taxes for business funds acquired by loan from a financial institution.

SPONSORS: Rep. Rideout, Coos 7; Rep. Hoell, Merr 23; Rep. Cordelli, Carr 4; Rep. Sandblade, Hills 18

COMMITTEE: Ways and Means

ANALYSIS

This allows for a deduction from the enterprise value tax base under RSA 77-E for funds of the business enterprise acquired from a loan from a financial institution and used for compensation.

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 Matter which is either (a) all new or (b) repealed and reenacted appears in regular type.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

AN ACT allowing for an adjustment to business enterprise taxes for business funds acquired by loan from a financial institution.

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

1 1 New Paragraph; Business Enterprise Tax; Special Adjustment; Loan Proceeds. Amend
2 RSA 77-E:3 by inserting after paragraph III the following new paragraph:

3 IV. In the case of a business enterprise, the enterprise value tax base of which includes
4 compensation paid from funds acquired by a loan from a financial institution in the business of
5 making loans to businesses in New Hampshire and secured by the assets of business enterprise, the
6 amount of the loan proceeds used for compensation shall be deducted from the taxable enterprise
7 value tax base.

8 2 Effective Date. This act shall take effect July 1, 2014.

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HB 1596-FN-A - FISCAL NOTE

AN ACT allowing for an adjustment to business enterprise taxes for business funds acquired by loan from a financial institution.

FISCAL IMPACT:

The Department of Revenue Administration states this bill, **as introduced**, may reduce state revenue by an indeterminable amount in FY 2015 and each year thereafter. This bill will have no fiscal impact on state, county, and local expenditures, or county and local revenue.

METHODOLOGY:

The Department of Revenue Administration (DRA) states this bill would allow for a deduction from the enterprise value tax base (EVTB) for the Business Enterprise Tax (BET) equal to the amount of compensation paid from funds acquired by a loan. The loan must be from a financial institution in the business of making loans to businesses in New Hampshire. The Department is unable to determine the fiscal impact as it cannot estimate the dollar value of compensation that would be paid by loan proceeds and, thus, decrease the EVTB and BET paid. The Department notes that while interest paid or accrued is one of the components of the EVTB and this amount could be used to estimate the value of loans obtained by BET filers that could be used to offset compensation, the DRA does not have data as to the components of the interest that is reported on the BET returns. For example, there is no way to know what portion of interest is paid on a loan versus interest paid to depositors of a financial institution. Also, there would be a timing issue as interest is typically paid over multiple years for a one-time receipt of funds and the DRA would have no way of knowing if all of the funds are still available and would potentially double count a loan if estimating over multiple years. DRA also states the amount taken as a deduction from the EVTB would be difficult to substantiate from an audit perspective as it would be necessary to track every dollar of loan proceeds through the financial statements of the business to confirm that the proceeds were used to pay compensation and that compensation was not paid by other income of the business. The bill would take effect July 1, 2014, and could be administered by DRA without any additional cost. Changes would be necessary for BET forms and to reprogram the computer system.