

HB 1597-FN-A – AS INTRODUCED

2014 SESSION

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10/03

HOUSE BILL ***1597-FN-A***

AN ACT reducing the rate of tax on meals under the meals and rooms tax.

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

COMMITTEE: Ways and Means

ANALYSIS

This bill lowers the rate of tax applied to taxable meals under RSA 78-A, the meals and rooms tax.

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 Matter which is either (a) all new or (b) repealed and reenacted appears in regular type.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

AN ACT reducing the rate of tax on meals under the meals and rooms tax.

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

1 1 Meals and Rooms Tax; Rate on Meals Reduced. Amend RSA 78-A:6 to read as follows:
2 78-A:6 Imposition of Tax.

3 I. A tax of 9 percent of the rent is imposed upon each occupancy.

4 II. A tax is imposed on taxable meals based upon the charge therefor as follows:

5 (a) [~~Four~~] **Three** cents for a charge between \$.36 and \$.37 inclusive;

6 (b) [~~Five~~] **Four** cents for a charge between \$.38 and \$.50 inclusive;

7 (c) [~~Six~~] **Five** cents for a charge between \$.51 and \$.62 inclusive;

8 (d) [~~Seven~~] **Six** cents for a charge between \$.63 and \$.75 inclusive;

9 (e) [~~Eight~~] **Seven** cents for a charge between \$.76 and \$.87 inclusive;

10 (f) [~~Nine~~] **Eight** cents for a charge between \$.88 and \$1.00 inclusive;

11 (g) [~~Nine~~] **Eight** percent of the charge for taxable meals over \$1.00, provided that
12 fractions of cents shall be rounded up to the next whole cent.

13 II-a. A tax of 9 percent is imposed upon the gross rental receipts of each rental.

14 III. The operator shall collect the taxes imposed by this section and shall pay them over to
15 the state as provided in this chapter.

16 2 Collection of Tax; References Changed. Amend RSA 78-A:7 to read as follows:

17 78-A:7 Collection of Tax.

18 I.(a) The operator shall either state the amount of the tax to each occupant, purchaser of a
19 meal, or renter, or state that the tax is included in the price of the occupancy, meal, or gross rental
20 receipts received. If the amount of the gratuity is not separately stated, the purchaser's or
21 occupant's contract or receipt shall include the following language:

22 "The [~~9~~] 8 percent tax on meals and **9 percent tax on** rooms is included for the costs of meals and
23 lodging only."

24 (b) The operator shall demand and collect the tax from the occupant, purchaser, or
25 renter. The occupant, purchaser, or renter shall pay the tax to the operator. If the tax is included in
26 the price of the meal, occupancy, or gross rental receipts received, upon request the operator shall
27 state to the purchaser, occupant, or renter the amount of the tax.

28 II. Each operator shall keep books and records in a form acceptable to the department
29 showing the amount of all taxes collected. The operator shall pay the taxes over to the state as
30 provided in this section. If the department believes that special action is necessary because payment
31 of taxes collected may be in jeopardy, it may direct an operator to keep all taxes collected separate

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1 from any other funds. The department may require that the taxes be periodically deposited in a
2 bank designated by the department, in an account in the name of the department. The department
3 may withdraw these tax collections from the bank account and apply them to the payment of the
4 taxes due from the operator. When an operator commingles tax money with money belonging to him
5 **or her**, the claim of the state for the tax is traceable, is enforceable against all other claims, and
6 takes precedence over all other claims against the commingled funds. No taxes collected by an
7 operator under this chapter may be sent outside the state without the written consent of the
8 department.

9 III. To compensate operators for keeping the prescribed records and the proper account and
10 remitting of taxes by them, operators are allowed to retain 3 percent of the taxes due and to be
11 remitted if the return and payment are timely received by the department of revenue administration,
12 as provided in RSA 78-A:8, III.

13 IV. In lieu of keeping detailed records of taxes collected, and in lieu of payment of the taxes
14 collected under this chapter, an operator may, in writing, elect to compute the amount of taxes due at
15 9 percent of the total taxable rent~~[, charge for meals,]~~ or gross rental receipts received by it **and 8**
16 **percent of the total taxable charge for meals**, or both, exclusive of the taxes collected on such
17 rents, charges, and gross rental receipts. If this election is made, the operator may not change the
18 method of computing taxes without the written consent of the department. Any balance of the tax
19 remaining in possession of the operator may be retained by it.

20 3 Effective Date. This act shall take effect July 1, 2014.

HB 1597-FN-A - FISCAL NOTE

AN ACT reducing the rate of tax on meals under the meals and rooms tax.

FISCAL IMPACT:

The Department of Revenue Administration states this bill, **as introduced**, will reduce state general fund revenue by \$23,891,236 in FY 2015, and by an indeterminable amount in FY 2016 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 reduce the rate of tax under the meals and rooms tax (M&R) for taxable meals from 9% to 8%. The Department states they could administer the bill within their existing budget, however it would require time and effort to change all M&R forms and reprogram the computer system. The Department states biennial budget amounts estimated \$255,200,000 in M&R tax revenue for FY 2015. Adding back \$13,576,401 in M&R tax revenue diverted to school building aid payments in FY 2015, total M&R revenue for FY 2015 is estimated at \$268,776,401. When this amount is divided by the current M&R tax of 9%, the result is \$2,986,404,456 in taxable sales. The Department assumes meals compromise 80% of the taxable sales, or \$2,389,123,564. When applying the proposed 8% tax rate to meals, and the current 9% tax rate to rooms and rentals, the Department estimates the combined tax revenue achieved under this proposed bill would total \$244,885,165 [(\$2,389,123,564 x 9%) + (\$597,280,891 x 8%)]. As a result the Department estimates the proposed bill will decrease total meals and rooms tax revenue by \$23,891,236 in FY 2015 (\$268,776,401 - \$244,885,165). The impact in FY 2016 and beyond is indeterminable, but DRA states it would be reasonable to assume that similar losses would occur.