

SB 208-FN – AS INTRODUCED

2014 SESSION

14-2610
10/06

SENATE BILL **208-FN**

AN ACT allowing for the deduction of foreign taxes paid from taxable dividends under the interest and dividends tax.

SPONSORS: Sen. Woodburn, Dist 1; Sen. D'Allesandro, Dist 20

COMMITTEE: Ways and Means

ANALYSIS

This bill provides that taxable dividends under the interest and dividends tax shall be net of foreign taxes paid by the taxpayer.

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 Matter which is either (a) all new or (b) repealed and reenacted appears in regular type.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

AN ACT allowing for the deduction of foreign taxes paid from taxable dividends under the interest and dividends tax.

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

- 1 1 Interest and Dividends Taxation; Foreign Taxes Paid. Amend RSA 77:4, II to read as follows:
2 II. Dividends, other than stock dividends paid in new stock of the company issuing the same,
3 on shares in all corporations and joint stock companies organized under the laws of any state,
4 territory, or nation. ***Provided, however, that dividends shall be net of foreign taxes actually***
5 ***paid or accrued by the taxpayer on dividends and other distributions on stock, in U.S.***
6 ***dollars.***
7 2 Effective Date. This act shall take effect July 1, 2014.
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SB 208-FN - FISCAL NOTE

AN ACT allowing for the deduction of foreign taxes paid from taxable dividends under the interest and dividends tax.

FISCAL IMPACT:

The Department of Revenue Administration states this bill, **as introduced**, will reduce state general fund revenue by \$300,000 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 amends the definition of dividends that are taxable under the Interest and Dividends (I&D) tax to exclude foreign taxes paid in the taxable base. Data from Tax Year 2011 was used to estimate the fiscal impact as this is the most recent tax year with substantially complete data. There were 22,848 New Hampshire I&D filers that had foreign taxes paid as reported on Federal Form 1099-DIV, totaling \$6,188,126. Total dividends for Tax Year 2011 as reported on NH I&D returns were \$1,041,954,890. At the 5% I&D tax rate, this equals \$52,097,745 in tax due prior to removing tax exempt amounts, deductions, and exemptions for the disabled, elderly, and blind. DRA states removing the \$6,188,126 from the dividends taxable base of \$1,041,954,890 results in a revised base of \$1,035,766,764. At the 5% I&D tax rate this equals \$51,788,338 in tax due prior to removing tax exempt amounts, deductions, and exemption for the disabled, elderly, and blind, a reduction of \$309,407. With an effective date of July 1, 2015, DRA estimates a reduction in state general fund revenue of \$300,000 (rounded) in FY 2015, but states they are unable to determine the fiscal impact in FY 2016 and each year thereafter. However, DRA states it would be reasonable to assume similar decreases in those fiscal years.