

SB 312-FN-A – AS INTRODUCED

2014 SESSION

14-2736
10/05

SENATE BILL **312-FN-A**

AN ACT establishing a job creation credit against the business profits tax and the business enterprise tax for small businesses increasing employment in New Hampshire.

SPONSORS: Sen. Pierce, Dist 5; Sen. D'Allesandro, Dist 20; Sen. Fuller Clark, Dist 21; Sen. Gilmour, Dist 12; Sen. Hosmer, Dist 7; Sen. Kelly, Dist 10; Sen. Larsen, Dist 15; Sen. Lasky, Dist 13

COMMITTEE: Ways and Means

ANALYSIS

This bill establishes a job creation credit against the business profits tax and the business enterprise tax for small businesses increasing employment in New Hampshire.

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 Matter which is either (a) all new or (b) repealed and reenacted appears in regular type.

SB 312-FN-A – AS INTRODUCED

14-2736
10/05

STATE OF NEW HAMPSHIRE

In the Year of Our Lord Two Thousand Fourteen

AN ACT establishing a job creation credit against the business profits tax and the business enterprise tax for small businesses increasing employment in New Hampshire.

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

1 1 New Paragraph; Business Profits Tax; Small Business Job Creation Tax Credit. Amend
2 RSA 77-A:5 by inserting after paragraph XV the following new paragraph:

3 XVI. The unused portion of any job creation tax credit awarded by the commissioner under
4 RSA 77-E:3-d shall be available to apply to the business profits tax.

5 2 New Section; Business Enterprise Tax; Small Business Job Creation Tax Credit. Amend
6 RSA 77-E by inserting after section 3-d the following new section:

7 77-E:3-e Small Business Job Creation Tax Credit.

8 I. There shall be a tax credit in the amount of \$1,500 allowed for each qualified tax credit
9 employee as certified by the commissioner of resources and economic development under RSA 162-R:2.

10 II. Unused portions of this credit shall be carried forward up to 5 years. Unused, carried
11 forward credit under this section shall be applied before any other available carry-forward credit.

12 III. For the purpose of the credit allowed under this section, the job creation tax credit shall
13 be considered taxes paid under RSA 77-E.

14 3 New Chapter; Small Business Job Creation Tax Credit. Amend RSA by inserting after
15 chapter 162-Q the following new chapter:

16 CHAPTER 162-R

17 SMALL BUSINESS JOB CREATION TAX CREDIT

18 162-R:1 Definitions.

19 I. In this chapter, “qualified tax credit employee” means a new, full-time, year-round
20 employee who was unemployed on July 1, 2014 hired by a business with 75 employees or fewer for
21 work directly in one or more business activities for which actual wages paid are equal to or greater
22 than 175 percent of the current applicable minimum wage. “Qualified tax credit employee” does not
23 include an employee who is:

24 (a) Shifted to a new position because of a merger, acquisition, or restructuring.

25 (b) Laid-off and rehired within 270 days to the same or similar position.

26 (c) Not on the employer’s payroll for at least 90 days prior to the date on which the
27 employer claims the credit for the first tax period.

28 (d) Laid off or fired within 2 years of date of hire.

29 II. For the purposes of calculating wages paid to the employee under paragraph I, the
30 amount paid by the employer for medical and dental health care benefits for the employee shall be
31 included in the amount of actual wages paid.

SB 312-FN-A – AS INTRODUCED
- Page 2 -

1 162-R:2 Approval and Certification. The commissioner of the department of resources and
2 economic development, in consultation with the commissioner of the department of revenue
3 administration, shall develop application forms with which taxpayers may apply for the job creation
4 tax credit. The forms shall be submitted by taxpayers to the commissioner of the department of
5 resources and economic development, and the commissioner shall approve or deny such application
6 and certify to the commissioner of the department of revenue administration the total credit
7 awarded to each business organization that hires qualified tax credit employees.

8 162-R:3 Reports. The commissioner of the department of resources and economic development
9 shall file a report detailing the implementation of the tax credit program under RSA 77-E:3-e and
10 the results achieved. This report shall be filed with the president of the senate, the speaker of the
11 house of representatives, and the governor on or before July 31 of each year, beginning with July 31,
12 2015. The report shall include the following:

- 13 I. Methods and activities used to implement the job creation tax credit program.
- 14 II. The number and type of jobs created by small businesses.
- 15 III. The total amount of job creation tax credits awarded.
- 16 IV. Other information as deemed relevant.

17 4 Applicability. Sections 1-3 of this act shall apply for tax periods ending after July 1, 2014.

18 5 Effective Date. This act shall take effect July 1, 2014.

SB 312-FN-A - FISCAL NOTE

AN ACT establishing a job creation credit against the business profits tax and the business enterprise tax for small businesses increasing employment in New Hampshire.

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. The Department of Resources and Economic Development state this bill will increase state general fund expenditures by \$101,000 in FY 2015, \$102,000 in FY 2016, \$107,000 in FY 2017, and \$112,000 in FY 2018. 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 provides for a small business job creation tax credit against the Business Enterprise Tax (BET) and the Business Profits Tax (BPT) for businesses with 75 employees or fewer that hire a “qualified credit employee”. The bill defines a “qualified credit employee” as a new, full-time, year-round employee who was unemployed on July 1, 2104, for work directly in one or more business activities for which actual wages paid are equal to or greater than 175% of the current applicable minimum wage. For each qualified tax credit employee hired, the business shall be allowed a tax credit in the amount of \$1,500. The bill does not provide a limit on the number of tax credits that can be issued. DRA cannot estimate the potential loss of revenue because there is no limit on the number of tax credits that can be issued and because DRA cannot predict how many businesses with 75 employees or more would: hire a qualified tax credit employee; how many new businesses might start conducting business in New Hampshire and would qualify; or how many existing business tax filers would change their entity structure in order to take advantage of this tax structure. The credit would have a cascading effect wherein the credit used to offset any BET liability would be considered taxes paid under RSA 77-E and could be used to offset any BPT liability as well. DRA states it is unclear from the language of the bill how the Department of Resources and Economic Development (DRED) would verify that a qualified tax credit employee was not shifted to a new position because of a merger, acquisition, or restructuring. The administrative burden of approving and certifying all the applications for the credit would be the responsibility of DRED.

The Department of Resources and Economic Development (DRED) states according to the Economic and Labor Markets and Information Bureau within the New Hampshire Employment Security Department, as of June 2013, there are 38,658 private sector firms with 75 or fewer employees. Although this bill does not contain an appropriation or establish positions, DRED assumes it would require an additional 1.5 full-time equivalent employees (FTEs) as a result of this bill. DRED assumes in the first year costs will include: salary and benefit costs of approximately \$94,000; operating costs of \$3,000; and a one-time cost of \$4,000 to purchase a computer, for a total increase in state general fund expenditures of \$101,000 in FY 2015. DRED estimates state general fund expenditures will increase to \$102,000 in FY 2016, \$107,000 in FY 2017, and \$112,000 in FY 2018.