

SB 420-FN-A – AS INTRODUCED

2014 SESSION

14-2862
09/01

SENATE BILL ***420-FN-A***

AN ACT reducing the rates of the business profits tax and business enterprise tax.

SPONSORS: Sen. Sanborn, Dist 9; Sen. Stiles, Dist 24

COMMITTEE: Ways and Means

ANALYSIS

This bill reduces the rates of the business profits tax and business enterprise tax.

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Matter which is either (a) all new or (b) repealed and reenacted appears in regular type.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 reducing the rates of the business profits tax and business enterprise tax.

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

- 1 1 Title. This act shall be known as the business tax relief act of 2014.
- 2 2 Business Profits Tax; Imposition of Tax. Amend RSA 77-A:2 to read as follows:
- 3 77-A:2 Imposition of Tax. A tax is imposed at the rate of [~~8.5~~] **8.4** percent upon the taxable
- 4 business profits of every business organization.
- 5 3 Business Enterprise Tax; Imposition of Tax. Amend RSA 77-E:2 to read as follows:
- 6 77-E:2 Imposition of Tax. A tax is imposed at the rate of [~~3/4~~] **7/10** of one percent upon the
- 7 taxable enterprise value tax base of every business enterprise.
- 8 4 Effective Date. This act shall take effect January 1, 2016.

SB 420-FN-A - FISCAL NOTE

AN ACT reducing the rates of the business profits tax and business enterprise tax.

FISCAL IMPACT:

The Department of Revenue Administration states this bill, **as introduced**, will reduce state general and education trust fund revenue 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 Business Profits Tax (BPT) rate from 8.5% to 8.4% and the Business Enterprise Tax (BET) rate from 0.75% to 0.7%. This bill would take effect January 1, 2016 (FY 2016) which is consistent with the beginning of a new tax year for over 90% of New Hampshire's taxpayers; therefore DRA is assuming that the rate reduction will be applicable for taxable periods beginning January 1, 2016. Since FY 2016 revenue estimates are not available, DRA assumes revenues would be equal to FY 2015 estimates plus 2%. The loss in revenue is calculated by dividing the estimated revenue for FY 2016 by the current tax rate of 8.5% for BPT and 0.75% for BET in order to determine the tax base for each of the taxes. The estimated fiscal impact is as follows –

	Estimated Revenue	Calculated Tax Base	Revised Revenue	Revised vs. Estimated
BPT	\$348.3M	\$4,097.7M	\$344.2M	\$4.1M
BET	\$232.3M	\$30,973.3M	\$216.8M	<u>\$15.5M</u>
		Revenue Decrease		\$19.6M

The Department states although the reduction in the BPT and BET tax rates results in a total revenue loss of \$19.6M, the loss would be spread across FY 2016, FY 2017, and FY 2018 dependent on taxpayer decisions relative to quarterly estimate payments, refunds, and credit carryovers. DRA states although this bill would require the update of systems, instructions, and forms, this bill could be administered by the Department at no additional cost.