SENATE BILL 1-FN-A

AN ACT reducing the rate of the business profits tax.


COMMITTEE: Ways and Means

ANALYSIS

This bill reduces the rate of the business profits 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 Matter which is either (a) all new or (b) repealed and reenacted appears in regular type.
AN ACT reducing the rate of the business profits tax.

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

1 Business Profits Tax; Imposition of Tax; 2015. Amend RSA 77-A:2 to read as follows:

2 77-A:2 Imposition of Tax. A tax is imposed at the rate of [8.5] 8.3 percent upon the taxable
business profits of every business organization.

2 Business Profits Tax; Imposition of Tax; 2017. Amend RSA 77-A:2 to read as follows:

3 77-A:2 Imposition of Tax. A tax is imposed at the rate of [8.3] 8.1 percent upon the taxable
business profits of every business organization.

3 Business Profits Tax; Imposition of Tax; 2019. Amend RSA 77-A:2 to read as follows:

4 77-A:2 Imposition of Tax. A tax is imposed at the rate of [8.1] 7.9 percent upon the taxable
business profits of every business organization.

4 Applicability.

I. Section 1 of this act shall apply to taxable periods ending on or after December 31, 2015.

II. Section 2 of this act shall apply to taxable periods ending on or after December 31, 2017.

III. Section 3 of this act shall apply to taxable period ending on or after December 31, 2019.

5 Effective Date. This act shall take effect July 1, 2015.
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FISCAL IMPACT:
The Department of Revenue Administration states this bill, as amended by the Senate (Amendment #2015-0495s), will reduce state general and education trust fund revenue by $8,011,765 in FY 2016 and FY 2017, and by $16,023,529 in FY 2018 and FY 2019. There will be no fiscal impact on state, county, and local expenditures, or county and local revenue.

METHODOLOGY:
The Department of Revenue Administration states this bill reduces the Business Profits Tax (BPT) rate from the current rate of 8.5% to 8.3% effective July 1, 2015 and applicable to tax periods ending on or after December 31, 2015; from 8.3% to 8.1% effective July 1, 2015 and applicable to tax periods ending on or after December 31, 2017; and from 8.1% to 7.9% effective July 1, 2015 and applicable to tax periods ending on or after December 31, 2019. The Department states the estimated BPT revenue for FY 2015 is $340,500,000. Divided by the current BPT rate of 8.5%, DRA estimates the taxable base at $4,005,882,353. Applying the taxable base to the proposed BPT rate of 8.3% would result in total revenue of approximately $332,488,235, a reduction of $8,011,765 in FY 2016 and FY 2017. Applying the taxable base to the proposed BPT rate of 8.1% would result in total revenue of approximately $324,476,471, a reduction of $16,023,529 in FY 2018 and FY 2019. Applying the taxable base to the proposed BPT rate of 7.9% would result in total revenue of approximately $316,464,706, a reduction of $24,035,294 in FY 2020 and each year thereafter.