

Senate Ways and Means Committee

Sonja Caldwell 271-2117

SB 261-FN, relative to the interest and dividends tax rate and threshold.

Hearing Date: February 1, 2023

Members of the Committee Present: Senators Lang, D'Allesandro, Murphy and Innis

Members of the Committee Absent : Senator Rosenwald

Bill Analysis: This bill:

I. Removes the repeal of the interest and dividends tax rate that was to take place on January 1, 2027.

II. Removes the interest and dividends tax rate reductions that were to occur after December 31, 2024.

III. Increases the taxable minimum of gross income from interest and dividends.

Sponsors:

Sen. Soucy

Sen. D'Allesandro

Sen. Watters

Rep. Telerski

Sen. Rosenwald

Sen. Fenton

Sen. Chandley

Rep. Wilhelm

Sen. Whitley

Sen. Perkins Kwoka

Sen. Prentiss

Who supports the bill: Sen. Rosenwald, Liz Tentarelli, Sharon Beaty, Kate Coon, Jeanne Torpey, Sen. Watters, Kent Hackmann, Sen. Perkins Kwoka, Andrew Jones, Gary Devore, Nancy Brennan, Patricia Martin, Sen. Whitley, Laura Telerski, Susan Moore, Tom St. Martin, Nancy Bishop, Judith Johnson, Gregory Davis, Alfrieda Englund, A. Thomas, Kim Marie Fudge, Ann Retew, Edna Bernier, Garry Haworth, Sen. Fenton, Louise Spencer, Carla Billingham

Who opposes the bill: Julie Smith, Kathleen Wikstrom, Jeffrey Creem, Simon Berrio, Curtis Howland, Aubrey Freedman

Who is neutral on the bill: Keen Meng Wong (NHDRA)

Summary of testimony presented:

Sen. Soucy

- Sen. Soucy stated a need to focus on providing tax relief to those who struggle. The impact of property taxes is felt disproportionately throughout our state. This is not the case with the interest and dividends tax.
- This bill would remove the complete repeal section of the interest and dividends tax. It would change the rate from 5% to 4%, still providing for a reduction.
- This bill attempts to recognize those who are making a small amount in interest and dividends.
- Those who have significant capacity would no longer be paying this tax with the complete elimination and that would have a detrimental effect on revenue in the state.
- The second table in the fiscal note shows that there is still a significant portion of revenue that can be derived.
- Half of the revenue coming in is from people making interest and dividends of \$50,000 or more. She asked the committee to think about what that principal is if your percentage of interest exceeds \$50,000. We have an affluent state.
- There is no question that the \$2,500 interest and dividends floor was disproportionately affecting people.
- What the legislature did with the business profits tax and business enterprise tax was raise the floor so that certain people are not impacted; not do away with what is a reasonable revenue source in the state.
- The fact is that significantly increasing the floor on this tax is a reasonable step that will not be hurtful or impactful but will ensure revenue for the state, so we don't downshift or lead to property tax increases.
- This will allow for half of the revenue that is being derived now. It is fairly significant what people are earning in interest in dividends.

Keen Meng Wong – Dept. of Revenue Administration

- The Dept. has no position on the bill. He provided a fiscal note quick guide.
- The Dept. would suggest a proposed amendment in terms of the administration of the bill. With regard to the filing threshold, there is another section in the RSA that talks about the administration of the interest and dividends tax that is set to \$2,400; it has not been changed to \$50,000 so if the bill is to proceed, that part of the RSA should also be amended.
- Also, there is no effective taxable period end date in the bill. The effective date of upon passage is not an issue in terms of administering the rate change, however you have to say for which taxable period the threshold changes to \$50,000.
- Currently the 4% rate is for taxable period ending after December 31, 2023, and we are in calendar year 2023 now. There will be estimated payments for calendar year 2023 on April 15 and again on June 15 so depending on when the bill is passed, there could have been two estimate payments on the 4% rate vs the proposed 5%.

Sen. Lang asked what the current surplus on state revenues is.

Mr. Wong did not have that information.

Sen. D'Allesandro asked who pays the interest and dividends tax based on the current situation.

Mr. Wong said it is paid by residents of NH who receive interest and dividends. The majority of the revenue components are from dividends and distributions. More so than interest.

Sen. D'Alleandro asked if it is wealthier people who pay the tax.

Mr. Wong said that was a reasonable assumption.

Sen. D'Allesandro asked if raising the threshold would be significant.

Mr. Wong said yes.

^{sc}

Date Hearing Report completed: February 3, 2023