

SB 261-FN - AS INTRODUCED

2023 SESSION

23-0997

07/05

SENATE BILL

261-FN

AN ACT

relative to the interest and dividends tax rate and threshold.

SPONSORS:

Sen. Soucy, Dist 18; Sen. Rosenwald, Dist 13; Sen. Whitley, Dist 15; Sen. D'Allesandro, Dist 20; Sen. Fenton, Dist 10; Sen. Perkins Kwoka, Dist 21; Sen. Watters, Dist 4; Sen. Chandley, Dist 11; Sen. Prentiss, Dist 5; Rep. Telerski, Hills. 11; Rep. Wilhelm, Hills. 40

COMMITTEE:

Ways and Means

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.

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Matter which is either (a) all new or (b) repealed and reenacted appears in regular type.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

AN ACT relative to the interest and dividends tax rate and threshold.

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

1 1 Repeal. 2021, 91:89-100 relative to the phase out and repeal of rate of taxation of incomes, is
2 repealed.

3 2 Taxation of Incomes; Rate RSA 77:1 is repealed and reenacted to read as follows:
4 77:1 Rate.

5 I. The annual tax upon incomes shall be levied at the rate of 5 percent for all taxable periods
6 ending on or before December 31, 2023.

7 II. The annual tax upon incomes shall be levied at the rate of 4 percent for all taxable
8 periods ending after December 31, 2023.

9 3 Taxation of Incomes; Who Taxable. Amend RSA 77:3, I to read as follows:

10 I. Taxable income is that income received from interest and dividends during the tax year
11 prior to the assessment date by:

12 (a) Individuals who are inhabitants or residents of this state for any part of the taxable
13 year whose gross interest and dividend income from all sources, including income from a qualified
14 investment company pursuant to RSA 77:4, V, exceeds [~~\$2,400~~] **\$50,000** during that taxable period.

15 (b) Partnerships, limited liability companies, and associations, the beneficial interest in
16 which is not represented by transferable shares, whose gross interest and dividend income from all
17 sources exceeds [~~\$2,400~~] **\$50,000** during the taxable year, but not including a qualified investment
18 company as defined in RSA 77-A:1, XXI, or a trust comprising a part of an employee benefit plan, as
19 defined in the Employee Retirement Income Security Act of 1974, section 3.

20 (c) Executors deriving their appointment from a court of this state whose gross interest
21 and dividend income from all sources exceeds [~~\$2,400~~] **\$50,000** during the taxable year.

22 4 Effective Date. This act shall take effect upon its passage.

SB 261-FN- FISCAL NOTE
AS INTRODUCED

AN ACT relative to the interest and dividends tax rate and threshold.

FISCAL IMPACT: ☒ State ☐ County ☐ Local ☐ None

STATE:	Estimated Increase / (Decrease)			
	FY 2023	FY 2024	FY 2025	FY 2026
Appropriation	\$0	\$0	\$0	\$0
Revenue	Indeterminable Decrease	Indeterminable Decrease	Indeterminable Decrease	Indeterminable Increase
Expenditures	\$0	\$0	\$0	\$0
Funding Source:	<input checked="" type="checkbox"/> General	<input type="checkbox"/> Education	<input type="checkbox"/> Highway	<input type="checkbox"/> Other

METHODOLOGY:

This bill sets the Interest and Dividends (I&D) tax to 5% from 4% for taxable periods ending on December 31, 2023 and for taxable periods ending after December 31, 2023 the rate is set at 4%. This bill repeals the future reductions and eventual repeal of the I&D. Lastly, the bill increases the threshold for taxable income from an excess of \$2,400 to an excess of \$50,000.

The Department of Revenue Administration states the fiscal impact is indeterminable as the Department is not able to predict future I&D tax liability or credit carryforward amounts. The Department notes the proposed bill will result in an indeterminable decrease to the General Fund beginning in FY 2023 through FY 2025 and an indeterminable increase to the General Fund beginning in FY 2026 and each year thereafter. Based on the following assumptions/information, the Department is able to estimate a possible fiscal impact:

- the starting point for calculating the fiscal impact is the TY 2021 net taxable I&D income of \$2,739,400,000.
- the proposed income threshold amounts are applied to the TY 2021 net taxable I&D income to arrive at a new starting point base of \$1,575,300,000.
- the I&D tax rate changes proposed in this bill is then applied.
- based on a tax year revenue analysis of prior fiscal years, it was determined fiscal year tax revenue is comprised of 5 percent from the tax year 2 years prior, 68 percent is from the tax year 1 year prior and 27 percent from the current tax year (See table 1 below)

The first table below provides the tax rates and splits. The second table provides an estimated impact the proposed changes to the I&D tax will have on revenue.

Table 1. Current Law and Proposed Legislation Rates and Splits

Fiscal Year (FY)	Tax Year (TY)	% Applicable to Tax Year	Current Law I&D Rates	Proposed Law I&D Rates
FY 2023	TY 2021	5%	5.0%	5.0%
	TY 2022	68%	5.0%	5.0%
	TY 2023	27%	4.0%	5.0%
FY 2024	TY 2022	5%	5.0%	5.0%
	TY 2023	68%	4.0%	5.0%
	TY 2024	27%	3.0%	4.0%
FY 2025	TY 2023	5%	4.0%	5.0%
	TY 2024	68%	3.0%	4.0%
	TY 2025	27%	2.0%	4.0%
FY 2026	TY 2024	5%	3.0%	4.0%
	TY 2025	68%	2.0%	4.0%
	TY 2026	27%	1.0%	4.0%
FY 2027	TY 2025	5%	2.0%	4.0%
	TY 2026	68%	1.0%	4.0%
	TY 2027	27%	0.0%	4.0%
FY 2028	TY 2026	5%	1.0%	4.0%
	TY 2027	68%	0.0%	4.0%
	TY 2028	27%	0.0%	4.0%
FY 2029 and forward	TY 2027 and forward	100%	0.0%	4.0%

Table 2. I&D Fiscal Impact - Static Analysis

Fiscal Year	Revenues with Current Law	Revenues with Proposed Legislation	Estimated Fiscal Impact Per Year (Proposed Legislation Compared to Current Law)	Cumulative Fiscal Impact (Proposed Legislation Compared to Current Law)
2023	\$129,500,000	\$121,200,000	(\$8,300,000)	(\$8,300,000)
2024	\$103,500,000	\$77,400,000	(\$26,100,000)	(\$34,400,000)
2025	\$76,200,000	\$63,700,000	(\$12,500,000)	(\$46,900,000)
2026	\$48,800,000	\$63,000,000	\$14,200,000	(\$32,700,000)
2027	\$21,300,000	\$63,000,000	\$41,700,000	\$9,000,000

2028	\$1,400,000	\$63,000,000	\$61,600,000	\$70,600,000
2029	\$0	\$63,000,000	63,000,000	133,600,000

The fiscal impact as depicted in the above table may be overstated or understated for future years depending on whether actual revenue is more or less than the TY 2021 income. The estimated fiscal impact does not account for any overpayment/ credit carry forwards on file. The use of these overpayments would decrease revenue as taxpayers would apply the overpayments to any I&D tax liability.

The Department would need to update all necessary tax return forms and electronic management systems to reflect the accelerated repeal of the I&D tax; however, it is not anticipated this will result in any additional administrative costs that could not be absorbed in the Department's operating budget.

AGENCIES CONTACTED:

Department of Revenue Administration