

HB 1515-FN - AS INTRODUCED

2024 SESSION

24-2176
02/10

HOUSE BILL ***1515-FN***

AN ACT relative to the meals and rooms tax rate.

SPONSORS: Rep. McGough, Hills. 12; Rep. Aures, Merr. 13; Rep. Weyler, Rock. 14; Rep. Mooney, Hills. 12; Rep. Stone, Sull. 8; Rep. Sweeney, Rock. 25; Rep. B. Boyd, Hills. 12

COMMITTEE: Ways and Means

ANALYSIS

This bill reduces the meals and rooms tax rate for taxable meals from 8.5 percent to 7.5 percent and sets a minimum amount of revenue apportioned to towns.

Explanation: Matter added to current law appears in ***bold italics***.
 Matter removed from current law appears ~~[in brackets and struckthrough]~~
 Matter which is either (a) all new or (b) repealed and reenacted appears in regular type.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 Four

AN ACT relative to the meals and rooms tax rate.

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

1 1 Tax on Meals and Rooms; Imposition of Tax. Amend RSA 78-A:6, II to read as follows:

2 II. A tax is imposed on taxable meals ~~[based upon the charge therefor as follows:~~

3 ~~(a) Four cents for a charge between \$.36 and \$.37 inclusive;~~

4 ~~(b) Five cents for a charge between \$.38 and \$.50 inclusive;~~

5 ~~(c) Six cents for a charge between \$.51 and \$.62 inclusive;~~

6 ~~(d) Seven cents for a charge between \$.63 and \$.75 inclusive;~~

7 ~~(e) Eight cents for a charge between \$.76 and \$.87 inclusive;~~

8 ~~(f) Nine cents for a charge between \$.88 and \$1.00 inclusive;~~

9 ~~(g) Eight and a half]~~ **of 7.5** percent of the charge for taxable meals over \$1.00, provided

10 that fractions of cents shall be rounded up to the next whole cent.

11 2 Tax on Meals and Rooms; Disposition of Revenue. Amend RSA 78-A:26, III to read as follows:

12 III. On or before December 1, 2021 and each December 1 thereafter, 30 percent **or**
 13 **\$129,200,000, whichever is greater**, of the net income determined under the introductory
 14 paragraph of paragraph I of the most recent fiscal year, after deductions for the cost of
 15 administration and revenues deposited in the education trust fund pursuant to paragraph II, shall
 16 be deposited into the meals and rooms municipal revenue fund for distribution to the unincorporated
 17 towns, unorganized places, towns, and cities. The amount to be distributed to each such town, place,
 18 or city shall be determined by multiplying the total amount to be distributed by a fraction, the
 19 numerator of which shall be the population of the unincorporated town, unorganized place, town, or
 20 city and the denominator of which shall be the population of the state. The population figures shall
 21 be based on the latest resident population figures furnished by the office of planning and
 22 development.

23 3 Effective Date. This act shall take effect July 1, 2024.

HB 1515-FN- FISCAL NOTE
AS INTRODUCED

AN ACT relative to the meals and rooms tax rate.

FISCAL IMPACT: ☒ State ☐ County ☒ Local ☐ None

Estimated State Impact - Increase / (Decrease)				
	FY 2024	FY 2025	FY 2026	FY 2027
Revenue	\$0	Indeterminable Decrease	Indeterminable Decrease	Indeterminable Decrease
<i>Revenue Fund(s)</i>	General Fund and M&R Municipal Revenue Fund			
Expenditures	\$0	\$0	Indeterminable Increase	Indeterminable Increase
<i>Funding Source(s)</i>	M&R Municipal Revenue Fund			
Appropriations	\$0	\$0	\$0	\$0
<i>Funding Source(s)</i>	None			

- Does this bill provide sufficient funding to cover estimated expenditures? ☒ See Below
- Does this bill authorize new positions to implement this bill? ☒ No

Estimated Political Subdivision Impact - Increase / (Decrease)				
	FY 2024	FY 2025	FY 2026	FY 2027
County Revenue	\$0	\$0	\$0	\$0
County Expenditures	\$0	\$0	\$0	\$0
Local Revenue	\$0	Indeterminable, but not less than \$129,200,000		
Local Expenditures	\$0	\$0	\$0	\$0

METHODOLOGY:

This bill reduces the Meals and Rooms (M&R) Tax rate from 8.5% to 7.5% for meals only effective July 1, 2024 and establishes the amount to be transferred to the M&R Municipal Revenue Fund as either 30% or \$129,200,000, whichever is greater, of the M&R net revenue. The bill does not change the 8.5% rate on rental of rooms or motor vehicles.

The Department of Revenue Administration states this bill will decrease General Fund revenue by an indeterminable amount in FY 2025 and each year thereafter. Though the Department is not able to provide an exact fiscal impact it is able to complete a static analysis to provide an estimate of the impact. The Department assumes the start of the rate change is applicable to

M&R activity from taxable periods beginning on or after July 1, 2024. Based on the following assumptions/information, the Department provides the potential fiscal impact of this change:

- The intention of this bill is to not subject meals of \$1.00 and less to the M&R Tax.
- Total FY 2023 M&R tax collected (gross cash basis) was \$456.3 million. Operators retained commissions of \$11.9 million (2.62% of the total collected based on data reported by Operators in FY 2023). Thus, the total tax collected by operators net of commission for FY 2023 was \$444.4 million.
- Of the \$444.4 million collected in FY 2023, the meals portion was \$357.9 million. The meals portion M&R tax base was calculated as \$4.2 billion (total meals portion tax collected (\$357.9) divided by the tax rate of 8.5%)
- The FY 2023 M&R meals only tax base was then multiplied by the new proposed tax rate of 7.5% beginning in FY 2025 and each fiscal year thereafter, yielding a new estimated amount of tax collected by operators for each of those fiscal years. Using the same rate of commissions from FY 2023, the commission retained under the new rate is calculated and subtracted from the new liability amount.
- This proposed legislation is effective July 1, 2024 (FY 2025). M&R revenue is due by the 15th day of the month following the taxable period. The impact of this proposed M&R tax rate change would only begin in August 2024 onwards.

The following table provide static analysis showing the impact of reducing the M&R rate for meals only from 8.5% to 7.5%.

Table 1: M&R Tax Rate Decrease Static Analysis

Fiscal Year	Current Law Revenue (Using FY 2023 cash basis, net of commission)	Estimated Revenue at Proposed Rate of 7.5% for Meals	Estimated Fiscal Impact per Year	Cumulative Fiscal Impact
FY 2025	\$444,400,000	\$406,700,000	(\$37,700,000)	(\$37,700,000)
FY 2026	\$444,400,000	\$403,300,000	(\$41,100,000)	(\$78,800,000)
FY 2027 and forward	\$444,400,000	\$403,200,000	(\$41,200,000)	(\$120,000,000)

The bill changes the M&R distribution to the M&R Municipal Revenue Fund to be 30% or \$129,200,000, whichever is greater, of the net M&R revenue. The Department indicates this will decrease General Fund revenue and increase the transfer in years where using 30% would have yielded an amount less than the \$129,200,000. In addition, M&R Municipal Revenue Fund expenditures will increase.

The Department is not able to provide an exact fiscal impact of this change but is able to show what the impact might have been when applying the 30% to the revenue adjusted for the rate

decrease to determine the distribution amount to the M&R Municipal Revenue Fund versus using the floor amount of \$129,200,000 as contained in this bill. The amount to distribute to the M&R Municipal Revenue Fund is based on the prior year tax revenue. Based on the impact of the rate change as depicted in table 1, and using either 30% or a floor of \$129,200,000 to transfer to the fund the Department is able to show a potential impact for FY 2025 through FY 2027.

Table 2: M&R Municipal Revenue Fund Distribution Static Analysis

Fiscal Year	Calculated Transfer at 30%	Estimated Transfer at 30% or \$129,200,000 (whichever is greater)	Estimated Fiscal Impact per Year on General Fund	Cumulative Fiscal Impact on General Fund
FY 2025	\$129,500,000	\$129,500,000	\$0	
FY 2026	\$118,200,000	\$129,200,000	(\$11,000,000)	(\$11,000,000)
FY 2027	\$117,200,000	\$129,200,000	(\$12,000,000)	(\$23,000,000)

Table 3: Potential Impact of the Changes on General Fund per Static Analysis

Fiscal Year	Estimated Change in General Fund Revenue from proposed Rate of 7.5% for Meals	Estimated Change in General Fund Revenue when 30% is less than the \$129,200,000	Estimated Fiscal Impact per Year	Cumulative Fiscal Impact
FY 2025	(\$37,700,000)	\$0	(\$37,700,000)	(\$37,700,000)
FY 2026	(\$41,100,000)	(\$11,000,000)	(\$52,100,000)	(\$89,800,000)
FY 2027	(\$41,200,000)	(\$12,000,000)	(\$53,200,000)	(\$143,000,000)

The fiscal impact as depicted in the above tables may be overstated or understated for future years depending on whether actual revenue is more or less than the FY 2023 net taxable revenue used for the analysis of this bill.

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

For information purposes, the Treasury Department provided estimates of the stand-alone impact of the changes to the M&R Municipal Revenue fund distribution without incorporating the M&R rate reduction included in this bill. The Treasury Department estimates include the following assumptions:

- Uses FY23 M&R Tax Revenue as a starting point (includes General and Education Trust Fund Revenues adding back the transfers for School Building Aid Debt Service).
- Cost of M&R administration remains the same through FY28.
- Education Trust Fund Revenues relating to M&R decreases based upon the corresponding percentage outlined in the proposed bill.

	FY 2024	FY 2025	FY 2026	FY 2027
FY 2023 M&R Revenue	\$448,490,447	\$448,490,447	\$395,726,865	\$395,726,865
Less Cost of M&R Administration	(\$2,359,891)	(\$2,359,891)	(\$2,359,891)	(\$2,359,891)
Less M&R revenue to Education Trust Fund	(\$10,428,000)	(\$10,428,000)	(\$9,201,176)	(\$7,974,353)
Net M&R Revenue	\$435,702,556	\$435,702,556	\$384,165,798	\$384,165,798
% Transferred to M&R Municipal Revenue Fund	30%	30%	30%	30%
Amount to Distribute from Fund	\$130,710,767	\$130,710,767	\$129,200,000	\$129,200,000
Diff from Current Law (FY 2024)	\$0	\$0	(\$1,510,767)	(\$1,510,767)

AGENCIES CONTACTED:

Department of Revenue Administration and Treasury Department