



THE NEW HAMPSHIRE ECONOMY AND STATE REVENUES

PRESENTED BY PHIL SLETTEN, RESEARCH DIRECTOR

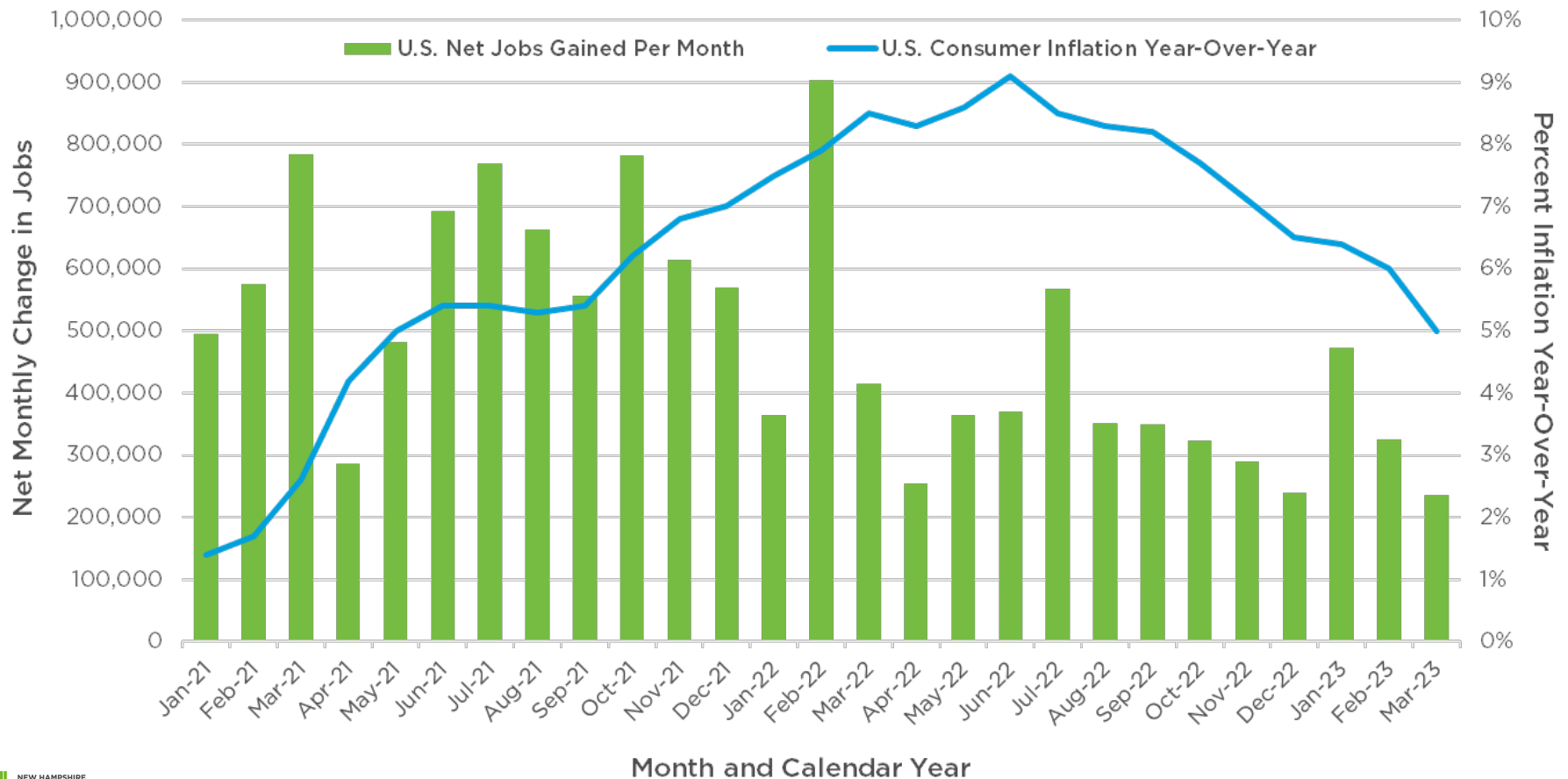
SENATE WAYS AND MEANS COMMITTEE

APRIL 19, 2023

POTENTIAL U.S. RECESSION CONTINUES TO BE DELAYED, RECENT DATA PROMISING

INFLATION AND JOB GROWTH IN THE UNITED STATES

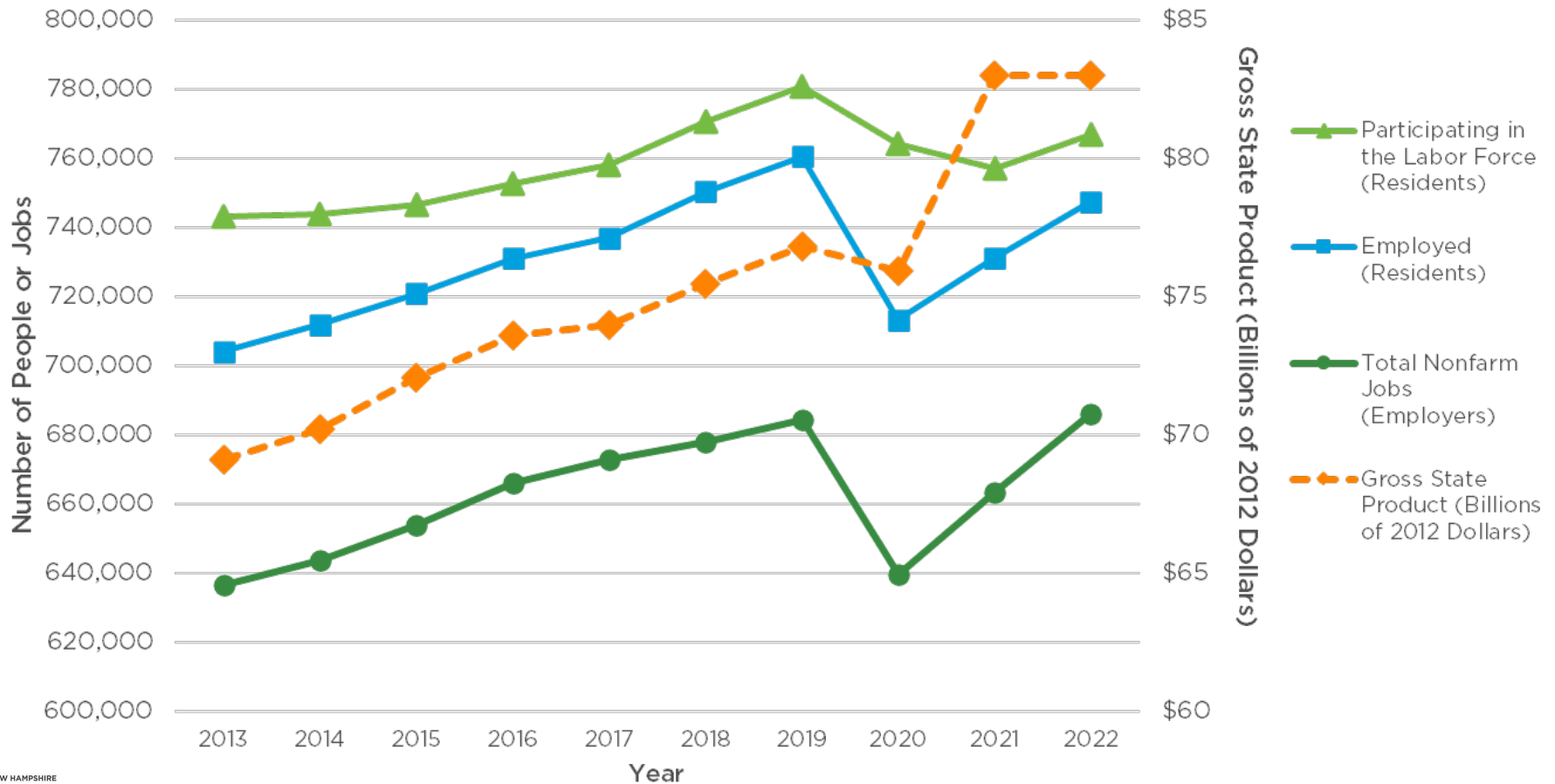
Monthly Nonfarm Payroll Employment and the Consumer Price Index-Urban



Sources: U.S. Bureau of Labor Statistics, Consumer Price Index-Urban, Current Employment Statistics, retrieved April 17, 2023

NEW HAMPSHIRE WORKFORCE SMALLER, JOBS UP SLIGHTLY, ECONOMY LARGER

LABOR FORCE, EMPLOYMENT, JOBS AND THE SIZE OF THE ECONOMY IN NEW HAMPSHIRE

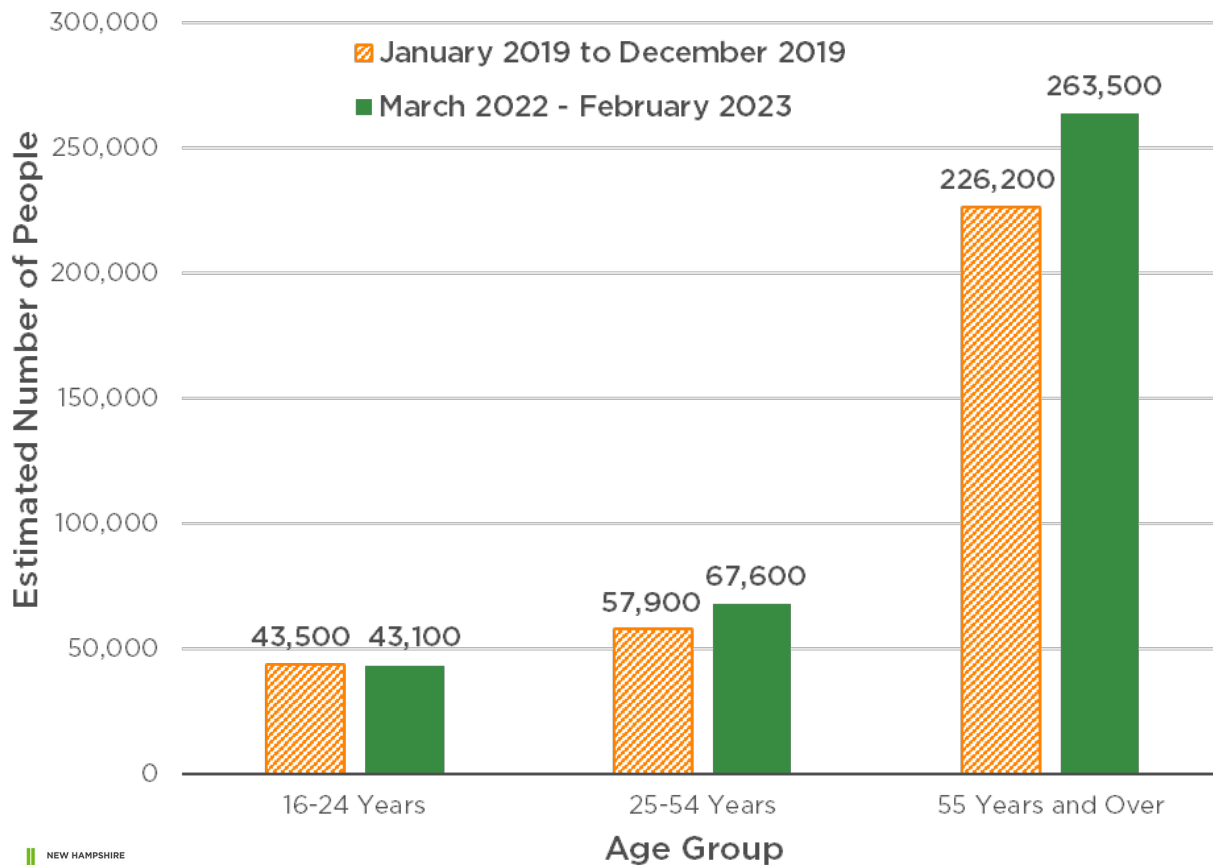


Source: New Hampshire Employment Security; U.S. Bureau of Economic Analysis

OLDER ADULTS LEAVING WORKFORCE, KEY CONSTRAINT ON FUTURE GROWTH

ESTIMATED NUMBER OF NEW HAMPSHIRE RESIDENTS WHO DO NOT WANT A JOB NOW

By Age Group, Twelve-Month Averages



Source: New Hampshire Employment Security, Current Population Survey data

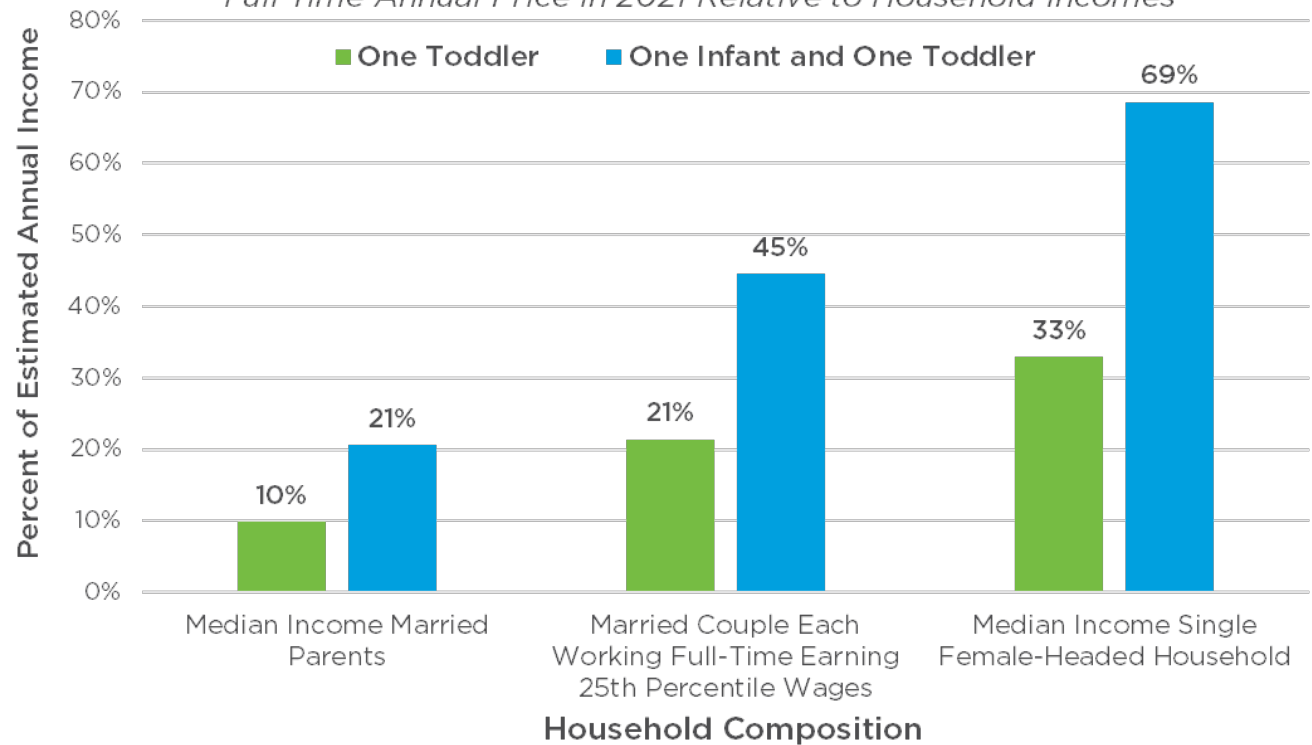
- 219,000 Granite Staters (15.8% of population) between ages 55 and 64 years in July 2021
- Labor force participation typically drops after age 65
- Many may have left labor force without pandemic, but others likely accelerated plans

Sources: U.S. Census Bureau, Population Estimates Program; New Hampshire Employment Security

HIGH CHILD CARE COSTS, LACK OF ACCESS LIKELY REDUCE LABOR FORCE SIZE

- About 60% of child care needs met with formal care before pandemic
- Prices are high
- Survey data suggests caring for children not in school or child care is key reason for not working

PRICES FOR CENTER-BASED CHILD CARE AS A PERCENT OF INCOME IN NEW HAMPSHIRE
Full-Time Annual Price in 2021 Relative to Household Incomes



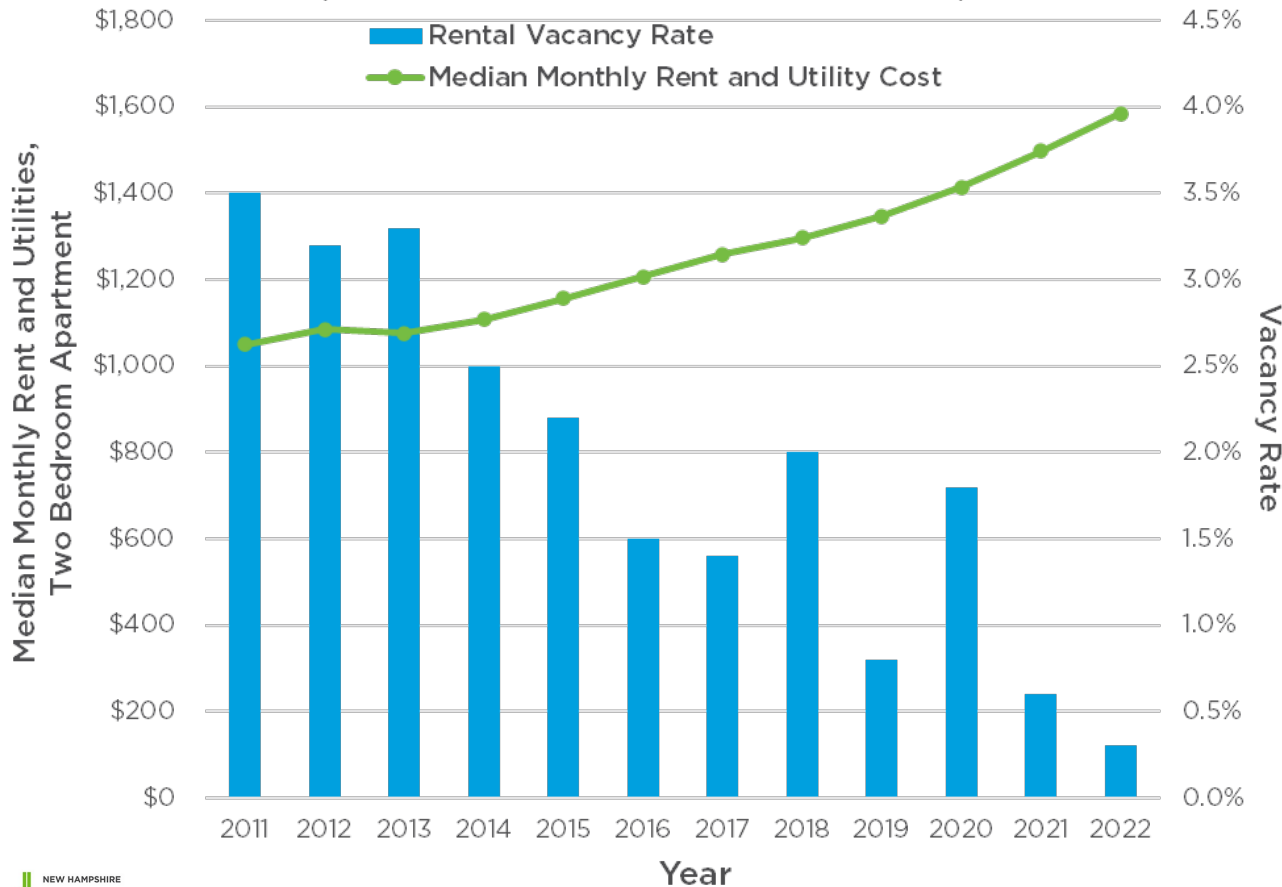
Sources: New Hampshire Department of Health and Human Services (2021); U.S. Census Bureau, Household Pulse Survey

Note: Full-time 25th percentile wage earner calculations based on estimated hourly wages for May 2021 and 2,080 hours worked per year. Calculation assumes the two 25th percentile wage jobs are the only sources of income for the household. Incomes for other households based on survey data collected from 2017-2021, adjusted for inflation to 2021 dollars. Child care prices for infants and toddlers added for calculations. Sources: U.S. Bureau of Labor Statistics, May 2021 State Occupational Employment and Wage Estimates; U.S. Census Bureau, American Community Survey, 2017-2021 Five Year Estimates; Child Care Aware of America, Child Care Affordability in New Hampshire Fact Sheet, 2021.

VERY LIMITED HOUSING SUPPLY IN NH

MEDIAN MONTHLY RENTAL COSTS AND VACANCY RATES

New Hampshire Statewide Data, Two Bedroom Apartments



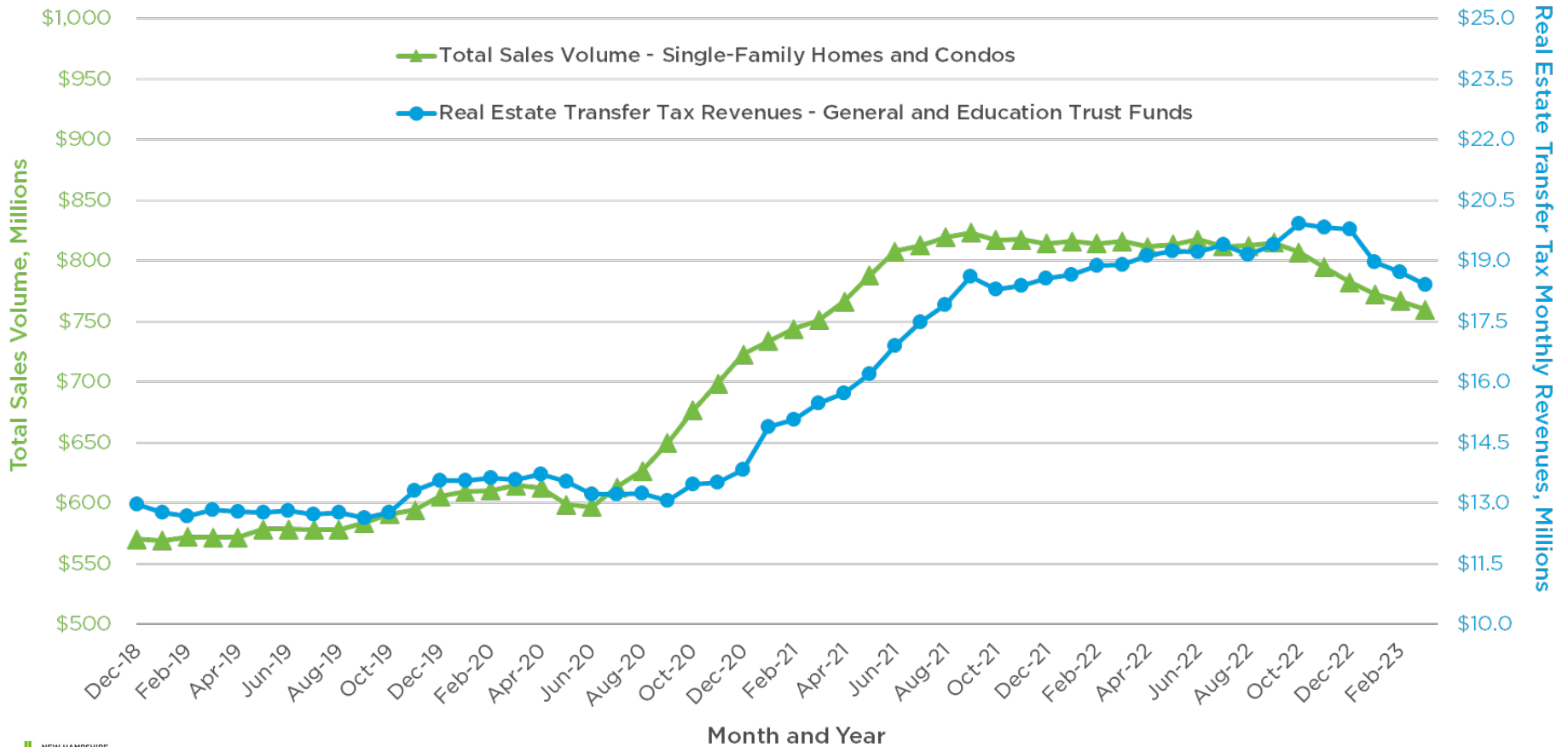
Source: New Hampshire Housing Finance Authority

- Median home sale price up 82% from March 2017 to March 2023
- Condo median sale prices up 89%
- Cost of purchasing a home increases with interest rates
- Less housing available for purchase puts pressure on rental market, residents with low incomes

Sources: New Hampshire Association of Realtors, Federal Reserve Bank of St. Louis

SLOWER SALES BEGINNING TO IMPACT REAL ESTATE TRANSFER TAX REVENUES

NEW HAMPSHIRE HOME SALES AND REAL ESTATE TRANSFER TAX REVENUE
12-Month Rolling Averages

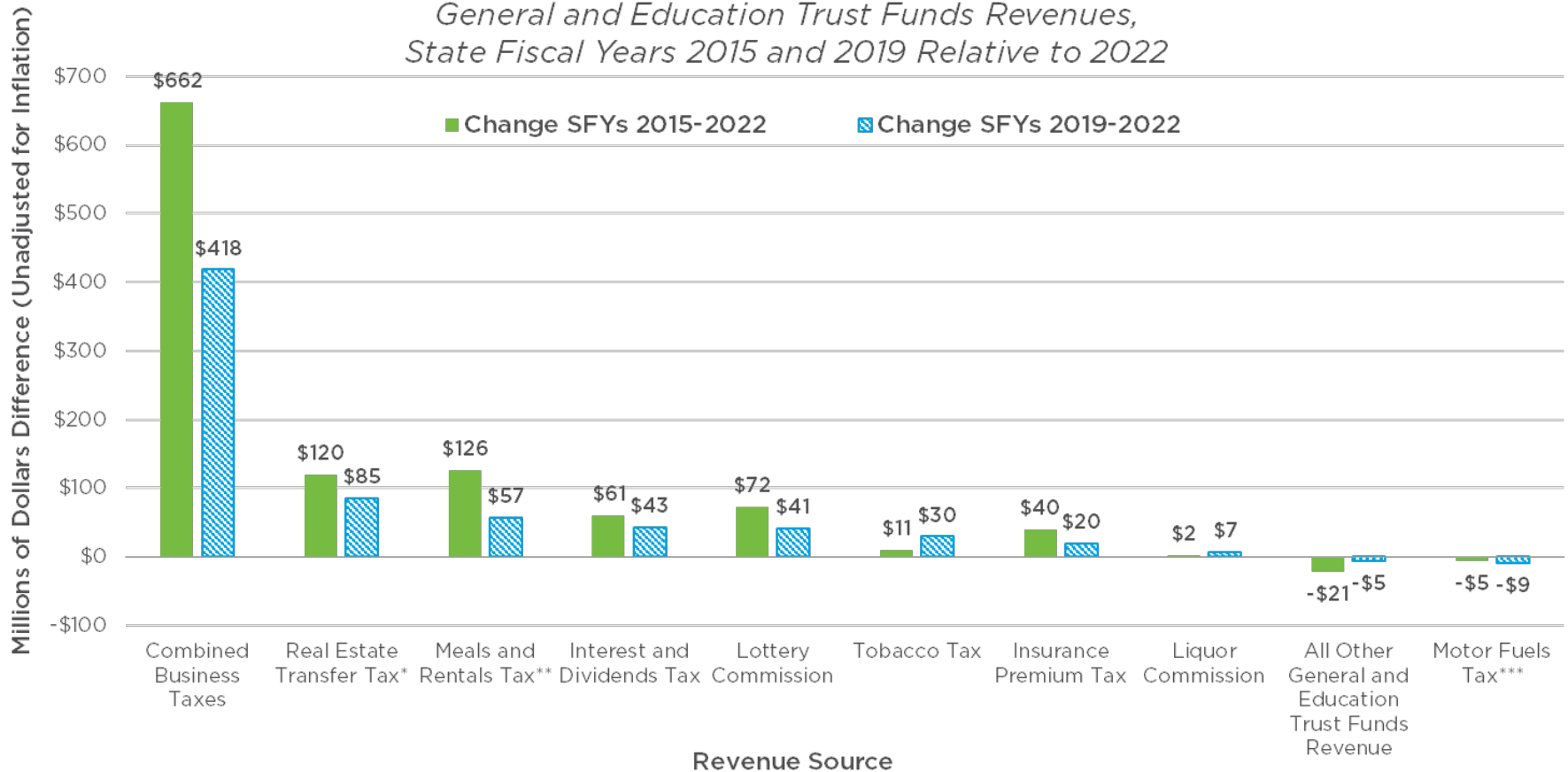


Sources: New Hampshire Association of Realtors, New Hampshire Department of Administrative Services

REAL ESTATE TRANSFER AND COMBINED BUSINESS TAXES LED RECENT GROWTH

DIFFERENCES IN REVENUE BY SOURCE

*General and Education Trust Funds Revenues,
State Fiscal Years 2015 and 2019 Relative to 2022*



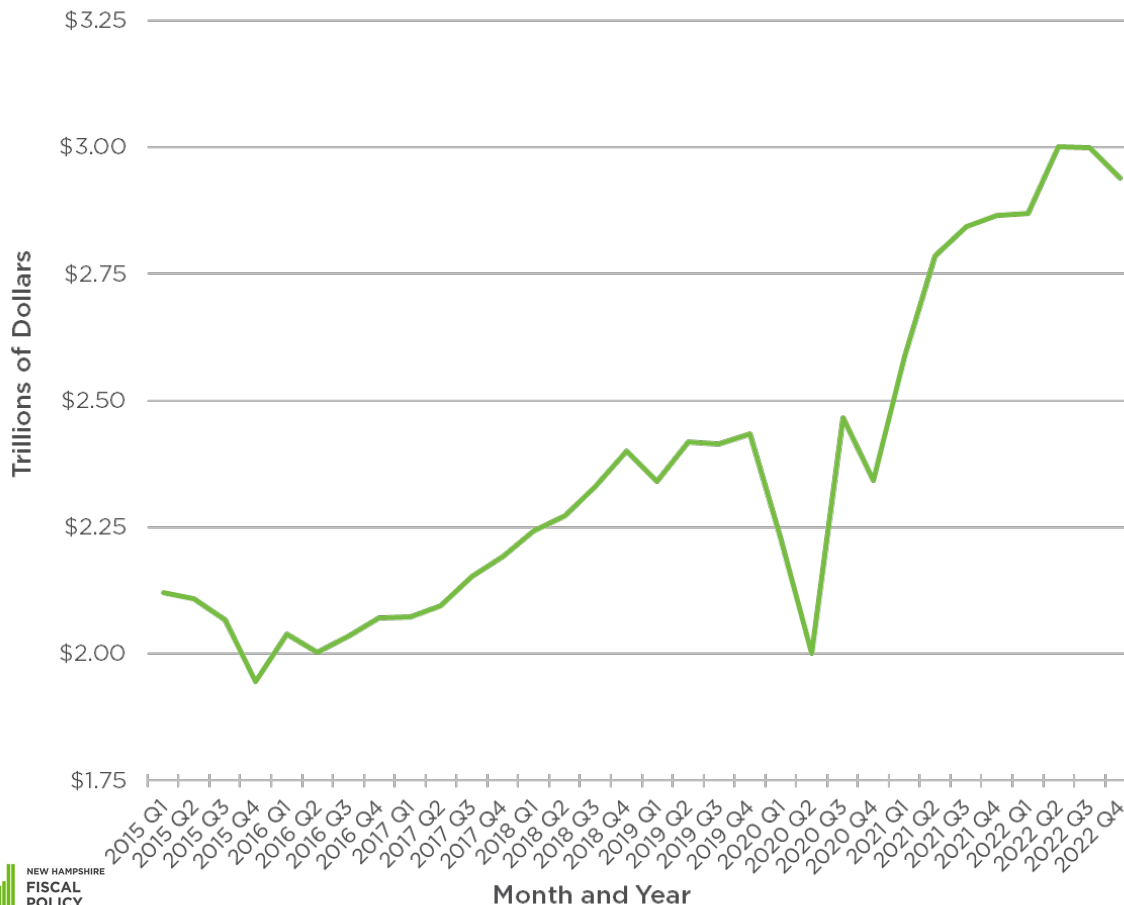
Notes: *Includes \$5M annual transfer to Affordable Housing Fund, starting SFY 2021. **Includes Municipal Revenue Fund transfer, starting SFY 2022. ***Not a General or Education Trust Funds revenue source.

Sources: New Hampshire Annual Comprehensive Financial Reports, SFYs 2015, 2016, 2017, 2019, and 2022; New Hampshire Department of Revenue Administration, 2022 Annual Report

HIGH CORPORATE PROFITS HAVE LIKELY DRIVEN BUSINESS TAX RECEIPTS

U.S. CORPORATE PROFITS BY QUARTER

Corporate Profits Adjusted for Inventory Valuation and Capital Consumption, Annualized Values, Seasonally Adjusted



Source: Federal Reserve Bank of St. Louis

- High corporate profits have likely driven Business Profits Tax base higher
- Key measure of national corporate profits up 51.1% in seven years before 2022 Q4
- Up 21.6% between 2020 Q3 and 2022 Q3
- Total revenue from combined business taxes up 117.9% from SFYs 2015-2022, 51.9% from SFYs 2019-2022

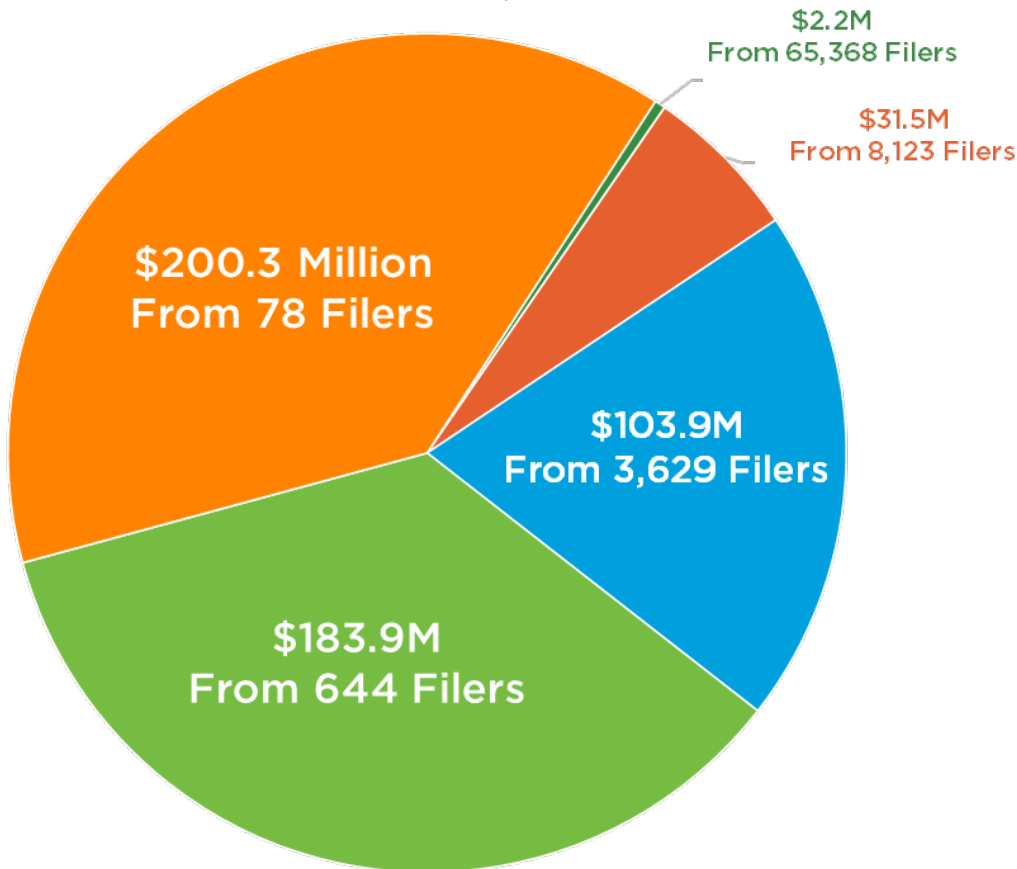
Sources: New Hampshire Department of Revenue Administration, RSA 77-A, New Hampshire Department of Administrative Services, Federal Reserve Bank of St. Louis

LARGE ENTITIES KEY TO BPT REVENUE

NEW HAMPSHIRE BUSINESS PROFITS TAX PAID AND NUMBER OF FILERS

Tax Year 2020

Source: New Hampshire Department of Revenue Administration,
2022 Annual Report



- Total combined corporate profits taxability adjusted across state lines using apportionment
- Entities with higher taxable profits may have a significant presence in NH, high overall profits, or a combination
- Lower-profit companies may have BPT liability offset by BET credit

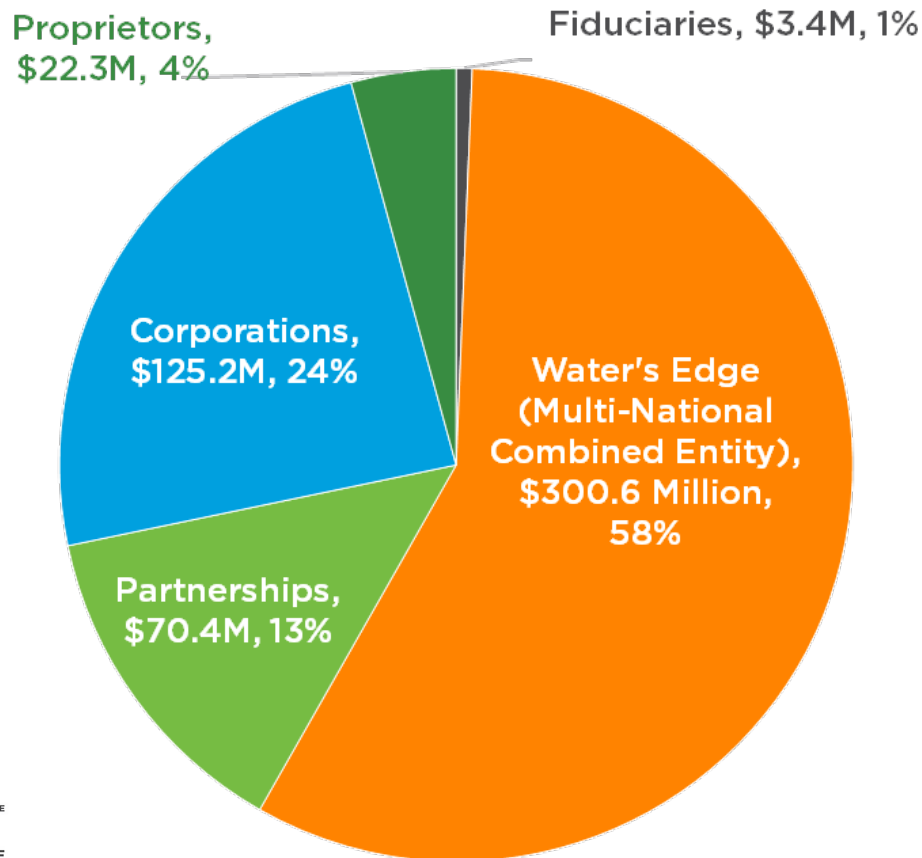
Sources: New Hampshire Department of Revenue Administration, RSA 77-A

MAJORITY OF TAX REVENUE FROM FILERS WITH SIGNIFICANT OVERSEAS COMPONENT

BUSINESS PROFITS TAX FILERS BY LIABILITY

Tax Year 2020

Source: New Hampshire Department of Revenue Administration, 2022 Annual Report



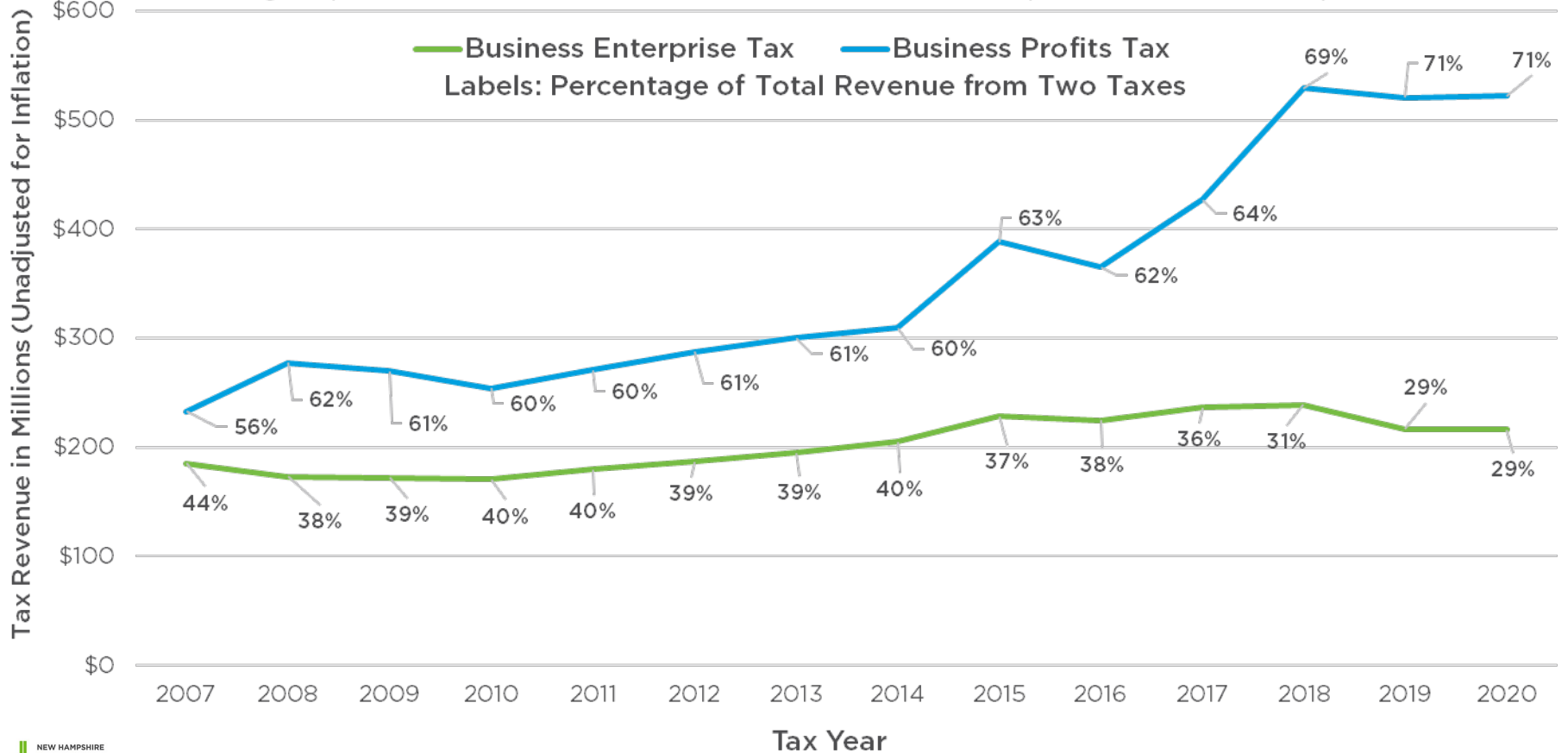
- Water's Edge entities have at least one component of combined tax filing that is mostly outside U.S.
- Entities filing as any type could be "based" in any location, or operate in multiple states
- High reliance on Water's Edge entities (only 6% of filers) suggest large, multinational entities key to BPT base

Sources: New Hampshire Department of Revenue Administration, RSA 77-A

BPT BECOMING SUBSTANTIALLY LARGER OF THE TWO TAXES IN RECENT YEARS

BUSINESS PROFITS TAX AND BUSINESS ENTERPRISE TAX

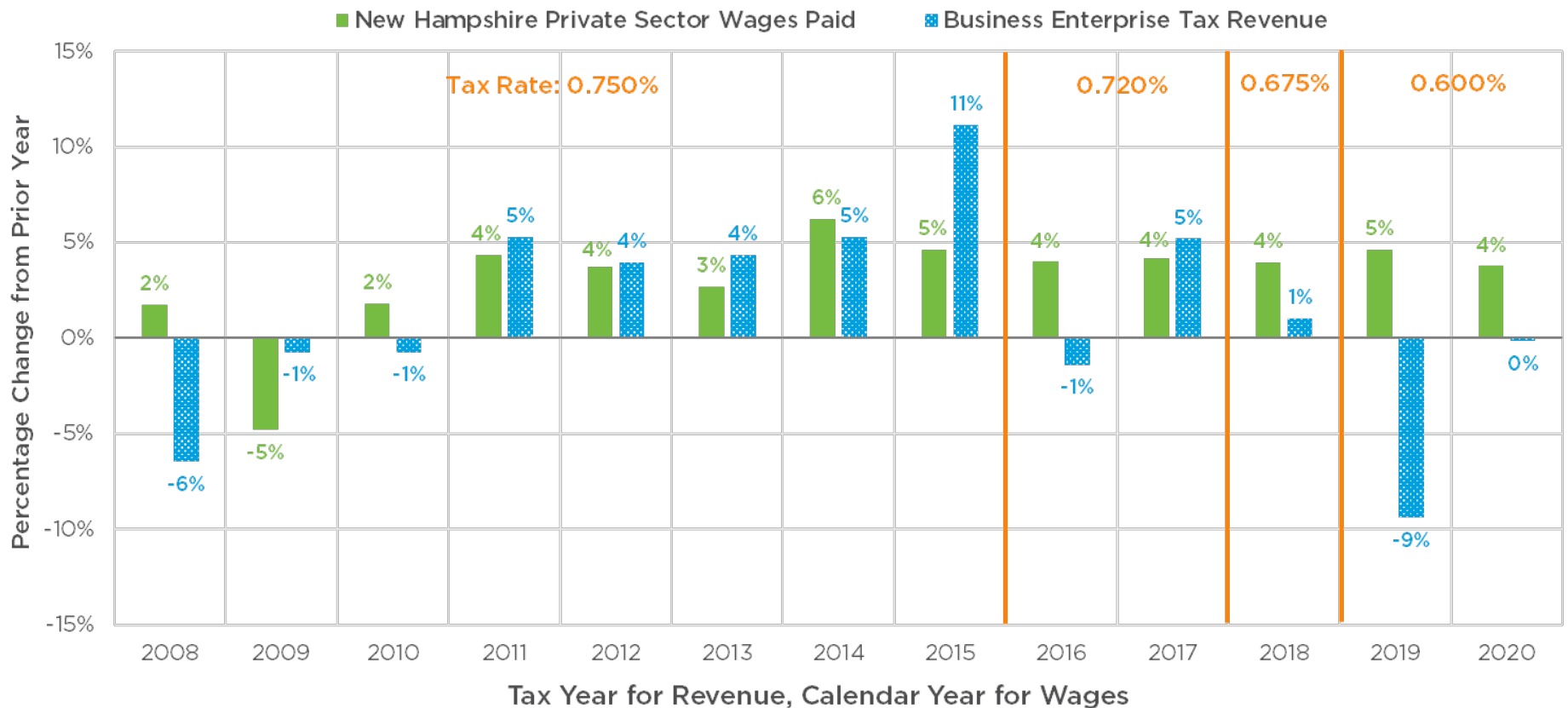
Revenue by Tax Year, Percentage of Revenue Total from These Two Taxes, Using Department of Revenue Administration Annual Reports for Revenue Split



Source: New Hampshire Department of Revenue Administration, Annual Reports

BET RATE REDUCTIONS HAVE LIMITED REVENUE GROWTH

CHANGES IN BUSINESS ENTERPRISE TAX REVENUE AND WAGES PAID IN NEW HAMPSHIRE BY YEAR

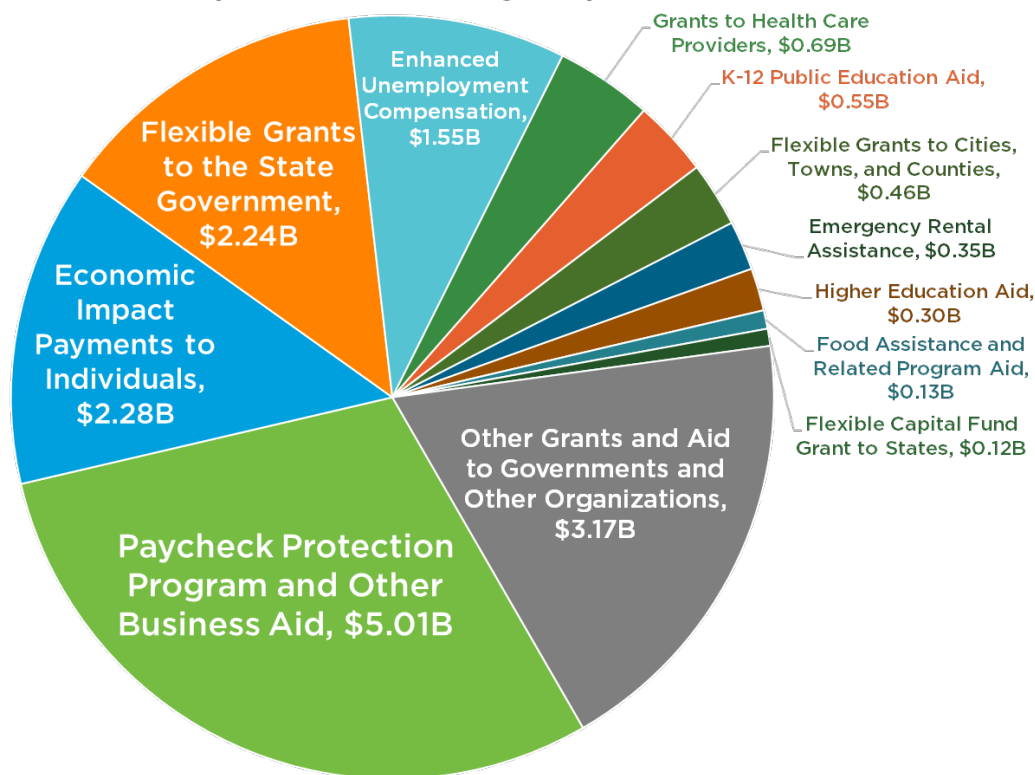


Source: New Hampshire Department of Revenue Administration, Annual Reports; New Hampshire Employment Security, Covered Employment and Wages; U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages

ABOUT \$17 BILLION IN FEDERAL FUNDS TO NEW HAMPSHIRE, ONE-TIME BOOST

FEDERAL ASSISTANCE RELATED TO COVID-19 IN NEW HAMPSHIRE

Total of Nearly \$16.9 billion Through July 7, 2022



- Response to COVID-19 brought more federal aid to economy
- Most federal aid one-time, not all has been spent yet
- Larger than two-year State Budget
- Relative to \$87.3 billion statewide economy in 2019
- Includes significant aid to businesses, individuals, housing

Note: Sums may include small amounts of double-counting due to summation mismatches. Totals presented are derivations. Small amounts of aid to individuals are also included in the "Other Grants and Aid" section, including aid for funeral expenses.

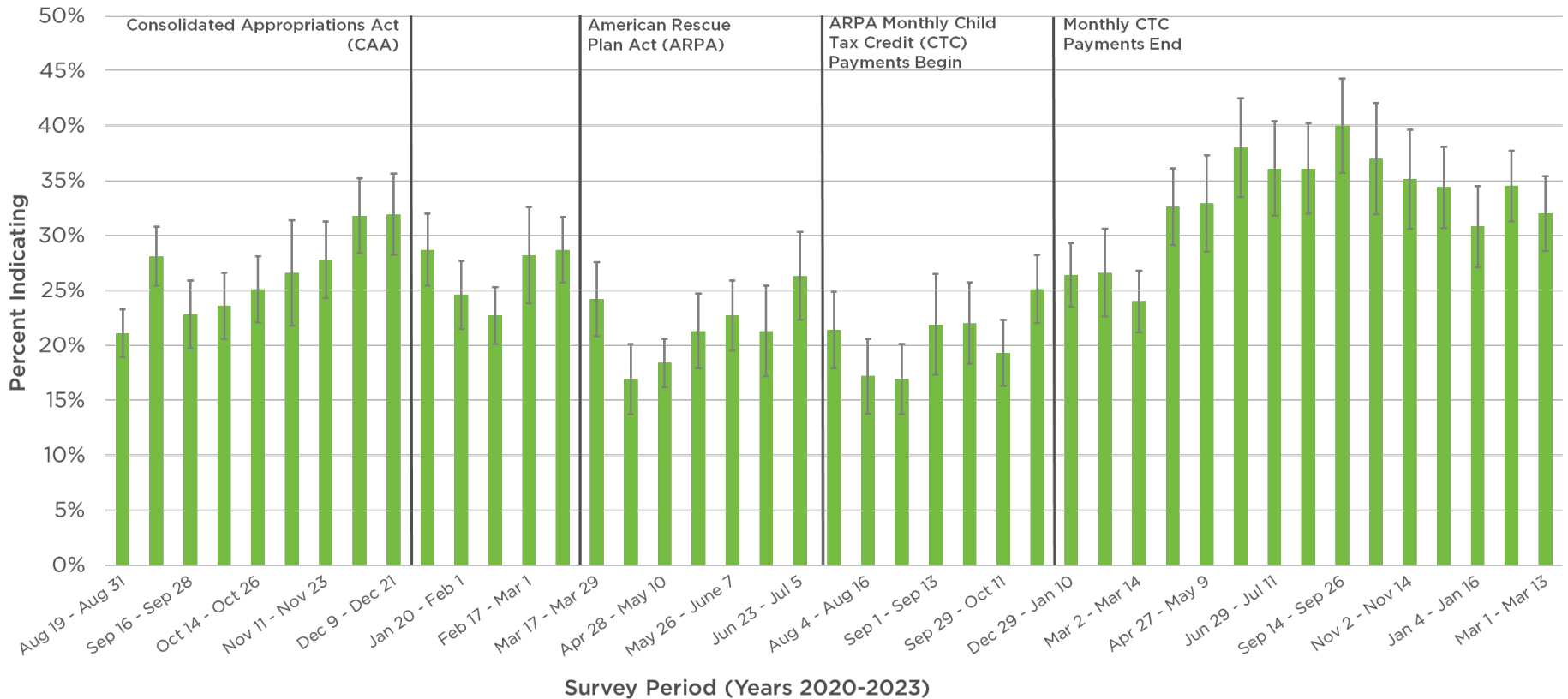
Source: New Hampshire Office of Legislative Budget Assistant, Federal COVID-19 Funds, New Hampshire Allocations, July 7, 2022.

Sources: Office of Legislative Budget Assistant, U.S. Bureau of Economic Analysis

NEARLY ONE IN THREE NEW HAMPSHIRE ADULTS REPORT TROUBLE WITH COSTS

NEW HAMPSHIRE ADULTS REPORTING DIFFICULTY WITH USUAL EXPENSES

Percentage Living in Households Where it Has Been Somewhat or Very Difficult to Pay for Usual Household Expenses During The Last Seven Days



Survey Period (Years 2020-2023)

Note: Margin of error bars represent 90 percent confidence intervals

Source: U.S. Census Bureau, 2020-2023 Household Pulse Survey, accessed February 20, 2023

KEY TAKEAWAYS

- Key workforce constraints likely slowing New Hampshire's economy, including lack of housing and child care access
- Demographics a key constraint on state's labor force growth with or without COVID-19, compounded by housing shortage
- Business, Real Estate Transfer, and Meals and Rentals Taxes have driven recent growth in State revenues
- Recent federal stimulus spurred significant economic rebound
- Housing shortage, interest rate increases impact revenues
- Corporate profits key for tax revenue base going forward, may be more uncertain in unsettled economic environment
- Inflation may impact economy and overall revenue projections, as projections are in nominal, future dollars

ADDITIONAL RESOURCES

- Presentation: How Public Services are Funded in New Hampshire at the State And Local Levels – August 10, 2022
<https://nhfpi.org/resource/how-public-services-are-funded-in-new-hampshire-at-the-state-and-local-levels-2/>
- Blog: A Snapshot of New Hampshire’s Workforce and the Impacts of the COVID-19 Pandemic After Three Years – March 23, 2023
<https://nhfpi.org/blog/a-snapshot-of-new-hampshires-workforce-and-the-impacts-of-the-covid-19-pandemic-after-three-years/>
- Publication: Revenue in Review: An Overview of New Hampshire’s Tax System and Major Revenue Sources – May 24, 2017
<https://nhfpi.org/resource/revenue-in-review-an-overview-of-new-hampshires-tax-system-and-major-revenue-sources/>
- Resource Pages: Budget, Revenue & Tax, and Economy
<https://nhfpi.org/topic/budget/>
<https://nhfpi.org/topic/revenue-tax/>
<https://nhfpi.org/topic/economy/>



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