

Department of Revenue Administration

Revised Revenue Estimates

The Department of Revenue Administration (DRA) has developed revised FY 2021 revenue estimates for the following taxes: Business Profits Tax (BPT), Business Enterprise Tax (BET), Meals and Rentals Tax, Tobacco Tax, Communications Services Tax, Real Estate Transfer Tax, and Utility Property Tax. The DRA estimates were calculated by adjusting FY 2021 Plan based on currently available data (through either October or November 2020 depending on the tax type), the expectation and result of revenues take into account the possible changing effects of the COVID-19 pandemic over time. Consideration was also given to the different payment types and tax periods received in a month and how those payments may be affected by the pandemic. Lastly, these estimates are subject to change.

Summary of FY 2020 Actual and FY 2021 DRA Estimate Range

	FY 2020		FY 2021				
	Preliminary Accrual	Anomalous Accrual	Plan	DRA Low	DRA High	Low vs. Plan	High vs. Plan
Business Taxes	\$681.5	\$18.3	\$786.1	\$768.4	\$792.2	-\$17.7	\$6.1
Meals and Rentals Tax	\$313.8	\$1.6	\$386.9	\$292.3	\$312.6	-\$94.6	-\$74.3
Tobacco Tax	\$212.6	\$1.3	\$201.2	\$233.3	\$244.8	\$32.1	\$43.6
Interest and Dividends Tax	\$116.5	\$9.2	\$116.9	\$133.3	\$140.7	\$16.4	\$23.8
Communications Services Tax	\$39.6	\$0.2	\$39.8	\$38.9	\$38.9	-\$0.9	-\$0.9
Real Estate Transfer Tax	\$158.3	\$0.2	\$158.4	\$168.0	\$177.2	\$9.6	\$18.8
Utility Property Tax	\$43.3	\$0.0	\$44.2	\$43.0	\$43.0	-\$1.2	-\$1.2
Total DRA Taxes	\$1,565.6	\$30.8	\$1,733.5	\$1,677.2	\$1,749.4	-\$56.3	\$15.9

FY 2020 Anomalous Receivable \$30.8m

As part of the State’s year-end financial reporting, revenues are converted from a cash basis to an accrual basis. In order to determine the accrual basis revenues, amounts received during the first 60 days of the State’s fiscal year where the underlying activity occurred in the prior fiscal year are removed from the current year and added to the prior year. These amounts are referred to as the “60 day receivable” and the process for determining these amounts happens in two phases: the preliminary and the final. These amounts are typically fairly consistent year to year and are consistent between the preliminary and final amounts within a year; however, FY 2020 was different. First, the amounts for FY2020 for Business Taxes and the Interest and Dividends Tax were more than the prior year due to the federal due date change. The federal due date for personal and business income taxes, due to COVID-19, was extended from April 15th to July 15th, whereas the state due date was extended from April 15th to June 15th. However, many taxpayers filed their NH state return consistent with the July 15th federal due date even though NH had only extended the due date to June 15th. Second, the amounts for the final 60 day receivable were more than the preliminary 60 day receivable in some instances as a result of incomplete revenue data for the month of July at the time the preliminary amounts were due to DAS. These two factors resulted in approximately \$30.8m in additional revenue received in July and August, which should have been attributable to FY 2020. These anomalous receivable amounts can also be found in the DAS Monthly Revenue Focus and are included in the Revenues received FYTD and are also included in our Revenue estimate ranges.

	Anomalous Accrual
Business Taxes	\$18.3
Meals and Rentals Tax	\$1.6
Tobacco Tax	\$1.3
Interest and Dividends Tax	\$9.2
Communications Services Tax	\$0.2
Real Estate Transfer Tax	\$0.2
Utility Property Tax	\$0.0
Total DRA Taxes	\$30.8

Meals & Rentals Tax

Historical Breakdown: 80% meals, 17% rooms and 3% motor vehicles

DRA Revised FY 2021 Estimate Range:

- Low: -\$94.6m or 24% below Plan
 - The reductions were made based on the performance of M&R revenue over the last few month. These reductions were coupled with anticipation of seeing deeper losses in colder months and a slow recovery as it tends to warm in the spring and a vaccine is more available giving people more confidence to venture out again.
 - Adjusted revenue to mirror December thru April to match what we saw in August revenue, July Activity, a loss of -25% with a recovery similar to October and November of -19% and -17% for May and June.
- High: -\$74.3m or 19% below Plan
 - Based on the performance of M&R revenue over the last month. Sustained the October loss thru the winter and spring months and then accelerated starting in April with the anticipation of a vaccine available and people having more confidence to venture out again.
 - Adjusted revenue to continue with the -15% for the winter & spring months and then accelerate the gain to 10% sooner, starting in April, as more people are vaccinated and more people are comfortable.

Factors to consider:

- FYTD -\$35.8m or 23.3% below Plan, \$1.6m of this is the anomalous receivable.
- FYTD -\$26.5m or 18.4% below prior year, \$1.6m of this is the anomalous receivable.
- Possible effects of the COVID-19 pandemic on selling meals, renting rooms, and renting motor vehicles including unemployment rates and consumer confidence.
- COVID-19 vaccine
- Shift in trends from restaurants to fast food and hotels to camps and cottages/online platform rentals.
- Restaurant industry shifting businesses to accommodate take out and adjustments to indoor dining.

Estimated Revenue Adjustments by Month

	FY 2021 Actual with Anomalous Receivable				FY 2021 Estimate Compared to Plan								Total
	July	August	September	October	November	December	January	February	March	April	May	June	
Meals and Rentals Tax - Low	-34%	-25%	-17%	-19%	-15%	-25%	-25%	-25%	-25%	-25%	-19%	-17%	-24%
Meals and Rentals Tax - High	-34%	-25%	-17%	-19%	-15%	-15%	-15%	-15%	-15%	-10%	-10%	-10%	-19%

Summary of FY 2020 Actual and FY 2021 DRA Estimate Range

	FY 2020		FY 2021				
	Preliminary Accrual	Anomalous Accrual	Plan	DRA Low	DRA High	Low vs. Plan	High vs. Plan
Meals and Rentals Tax	\$313.8	\$1.6	\$386.9	\$292.3	\$312.6	-\$94.6	-\$74.3

Tobacco Tax (FY 2020 Revenue Breakdown: 92% Cigarette Stamp, 8% Other Tobacco Products)

DRA Revised FY 2021 Estimate Range:

- Low: \$32.1m or 16% ahead of Plan
 - Based on COVID-19 numbers continuing to increase and people slowing their usage, more unemployment and people not willing to venture out or the inability to venture out due to restrictions on out of state travel.
- High: \$43.6m or 22% ahead of Plan
 - We could see this high point if people increase smoking, continue to stock up and continue with cross boarder sales.

Factors to consider:

- FYTD we are \$15.0m or 20.4% ahead of Plan, \$1.3m of this is the anomalous receivable.
- FYTD we are \$16.1m or 22.2% ahead of prior year, \$1.3m of this is the anomalous receivable.
- It appears wholesalers will stock up in some months and then utilize inventory and then stock up again.
- Massachusetts ban on mentholated tobacco and other flavored tobacco products has continued to give us a bump in revenues. Rhode Island has also seen this trend.
- According to news articles, cigarette sales are continuing to perform better than expected during the COVID-19 pandemic.

Estimated Revenue Adjustments by Month

	FY 2021 Actual with Anomalous Receivable				FY 2021 Estimate Compared to Plan									
	July	August	September	October	November	December	January	February	March	April	May	June	Total	
Tobacco Tax - Low	18%	16%	30%	18%	16%	16%	16%	16%	16%	11%	11%	11%	11%	16%
Tobacco Tax - High	18%	16%	30%	18%	25%	25%	25%	25%	25%	20%	20%	20%	20%	22%

Summary of FY 2020 Actual and FY 2021 DRA Estimate Range

	FY 2020		FY 2021				
	Preliminary Accrual	Anomalous Accrual	Plan	DRA Low	DRA High	Low vs. Plan	High vs. Plan
Tobacco Tax	\$212.6	\$1.3	\$201.2	\$233.3	\$244.8	\$32.1	\$43.6

Interest & Dividends Tax

TY 2018 Breakdown: 40% Taxable Annuities or Actual Cash & Property Distributions, 38% Dividend Income, 15% Interest Income and 8% Federal tax exempt interest income

DRA Revised FY 2021 Estimate Range:

- Low: \$16.4m or 14% ahead of Plan
 - Adjusted December thru June to be -4% below Plan equating the loss to the -3% to -4% estimated GDP loss for the year.
 - We could see this in final “true up” fourth quarter estimate payments and 2020 returns that will be received being in December, early January estimate payments, thru June.
- High: \$23.8m or 20% ahead of Plan
 - Adjusted November thru June to be 4% ahead of Plan and estimate. Current estimate is equal to Plan. This is equal to the 4% growth we saw in September, which was the last estimate payment and largest month we had in this current fiscal year.
 - This is definitely a possibility as we have continued to be above Plan every month thus far.

Factors to consider:

- FYTD we are \$20.1m or 84.5% ahead of Plan, \$9.2m of this is the anomalous receivable.
- FYTD we are \$19.8m or 82.2% ahead of prior year, \$9.2m of this is the anomalous receivable.
- Historical Year-Over-Year swings.
- Stock Market continues to perform well.
- People have more money in the bank.
- This tax appears to be unaffected by COVID-19, to date.

Estimated Revenue Adjustments by Month

	FY 2021 Actual with Anomalous Receivable				FY 2021 Estimate Compared to Plan								Total
	July	August	September	October	November	December	January	February	March	April	May	June	
Interest and Dividends Tax - Low	1600%	29%	4%	100%	0%	-4%	-4%	-4%	-4%	-4%	-4%	-4%	14%
Interest and Dividends Tax - High	1600%	29%	4%	100%	4%	4%	4%	4%	4%	4%	4%	4%	20%

Summary of FY 2020 Actual and FY 2021 DRA Estimate Range

	FY 2020		FY 2021				
	Preliminary Accrual	Anomalous Accrual	Plan	DRA Low	DRA High	Low vs. Plan	High vs. Plan
Interest and Dividends Tax	\$116.5	\$9.2	\$116.9	\$133.3	\$140.7	\$16.4	\$23.8

Communications Services Tax

DRA Revised FY 2021 Estimate:

- DRA Estimate: -\$0.9m or -2% below Plan
 - Decreased the loss to -2% for the remaining months of the year.
 - Loss could be a result of less VoIP utilized due to people working from home offset by an increase usage of online video platforms.

Factors to consider:

- FYTD we are -\$0.4m or 2.9% below Plan, \$0.2m of this is the anomalous receivable.
- FYTD we are \$0.2m or 1.5% ahead of prior year, \$0.2m of this is the anomalous receivable.
- NH unemployment rate
- Taxability of video conferencing and the increased use of product
- Decreased used of VoIP

Estimated Revenue Adjustments by Month

	FY 2021 Actual with Anomalous Receivable				FY 2021 Estimate Compared to Plan								Total
	July	August	September	October	November	December	January	February	March	April	May	June	
Communications Services Tax	-3%	0%	-6%	-3%	-2%	-2%	-2%	-2%	-2%	-2%	-2%	-2%	-2%

Summary of FY 2020 Actual and FY 2021 DRA Estimate Range

	FY 2020		FY 2021				
	Preliminary Accrual	Anomalous Accrual	Plan	DRA Low	DRA High	Low vs. Plan	High vs. Plan
Communications Services Tax	\$39.6	\$0.2	\$39.8	\$38.9	\$38.9	-\$0.9	-\$0.9

Real Estate Transfer Tax

DRA Revised FY 2021 Estimate Range:

- Low: \$9.6m or 6% ahead of Plan
 - Adjusted based on COVID-19 and the lost revenue due to people “hibernating” during the next peak of COVID and the winter months as well as the slow in construction. This would mean that our spring into summer would be a gradual increase and not the same drastic increase we saw during the summer months of this year.
- High: \$18.8m or 12% ahead of Plan
 - Adjusted to account for a continued increase in prices as well as housing still selling with realtor’s ability to do virtual home sales, unlike in the beginning of COVID. We do account for a continued reduction due to decreased inventory and slowing of construction just not as drastically as our estimate for the low range.

Factors to consider:

- FYTD we are \$0.6m or 0.9% ahead of Plan, \$0.2m of this is the anomalous receivable.
- FYTD we are \$3.0m or 4.8% ahead of prior year, \$0.2m of this is the anomalous receivable.
- FYTD amounts are net of the \$5m transfer to the Affordable Housing Fund as provided in RSA 78-B:13, III.
- Available housing and property values
- Mortgage interest rates being historically low and stable
- Virtual home sales
- Overall recovery of the economy, unemployment rates and consumer confidence
- RETT continues to perform well with large gains compared to last year. However, an inventory shortage, stunted construction in the winter, as well as increased COVID cases, making buyers wary, is anticipated in our estimate.
- New Hampshire Associations of Realtors are saying despite tightening of lending standards and high unemployment, buyers are out in full force this fall, showing amazing resilience in the middle of a pandemic.
 - New listings for single family homes up 8.1% and up 0.9% for condos
 - Pending sales increased to 39.1% for single family homes and 30.9% for condos
 - Median Sales Price up 14.9% for single family and 12.0% for condos
 - Monthly Supply decreased to 63.2% for single Family and 50% for condos

Estimated Revenue Adjustments by Month

	FY 2021 Actual with Anomalous Receivable				FY 2021 Estimate Compared to Plan								Total
	July	August	September	October	November	December	January	February	March	April	May	June	
Real Estate Transfer Tax - Low	-9%	2%	13%	31%	42%	13%	2%	2%	2%	2%	2%	2%	6%
Real Estate Transfer Tax - High	-9%	2%	13%	31%	42%	31%	20%	15%	10%	10%	10%	10%	12%

Summary of FY 2020 Actual and FY 2021 DRA Estimate Range

	FY 2020		FY 2021				
	Preliminary Accrual	Anomalous Accrual	Plan	DRA Low	DRA High	Low vs. Plan	High vs. Plan
Real Estate Transfer Tax	\$158.3	\$0.2	\$158.4	\$168.0	\$177.2	\$9.6	\$18.8

Utility Property Tax

DRA Revised FY 2021 Estimate:

- UPT does not appear to be affected by the COVID-19 economic crisis at this point.
- The estimated payments relate to the previous year's tax - e.g., the December of 2020 estimated payment will be based on the tax previously assessed in December of 2019.
 - Only the true-up payment in January relates to the current year - e.g., the January of 2021 true-up payment will be based on the tax that will be assessed next month.
- The negative 10% adjustment is an estimate based on very preliminary assessment information.
 - It is only being applied to the January of 2021 true-up payment and the April and June of 2021 estimated payments, which are based on the tax that will be assessed next month.

Factors to consider:

- FYTD \$0.9m or 8.9% ahead of Plan
- FYTD \$1.4m or 14.6% ahead of prior year
- Credits on file
- Some property may decline in value due to changes in economic conditions
- New taxable property may be constructed

Estimated Revenue Adjustments by Month

	FY 2021 Actual with Anomalous Receivable				FY 2021 Estimate Compared to Plan								Total
	July	August	September	October	November	December	January	February	March	April	May	June	
Utility Property Tax	0%	8%	3%	0%	0%	0%	-10%	0%	0%	-10%	0%	-10%	-3%

Summary of FY 2020 Actual and FY 2021 DRA Estimate Range

	FY 2020		FY 2021				
	Preliminary Accrual	Anomalous Accrual	Plan	DRA Low	DRA High	Low vs. Plan	High vs. Plan
Utility Property Tax	\$43.3	\$0.0	\$44.2	\$43.0	\$43.0	-\$1.2	-\$1.2

Business Taxes BPT & BET: Split 60% BPT 40% BET

DRA Revised FY 2021 Estimate Range:

Business Tax adjustments were calculated by making assumptions about the possible effects of the COVID-19 pandemic on business activity generally and payment expectations. Each business payment type (estimates, extensions, returns, tax notices) was considered separately and adjusted based on when taxpayers generally make such payments and how they might be affected as a result of COVID-19.

- Low: -\$17.7m or 2% below Plan, including anomalous receivable
 - Adjusted November to an anticipated amount of \$35.0m based on revenue received as of November 18, 2020.
 - 3% increase for return and extension payments compared to Plan was applied to December thru January, this is the gain from March thru October return and extension payments compared to prior year. This percentage was reduced to -18% for January thru June. The -18% is tied to the prior recession with adjustments made to correlate to this economic environment. These returns and extensions will feel the largest hit from COVID-19.
 - Estimate payments compared to Plan were reduced to 10% below Plan for November thru January. This is tied to the March thru October estimate payment loss compared to prior year. The reduction was then adjusted to 3% below Plan for February thru June. This correlates with the latest estimated GDP figures of -3% to -4% for the year.
 - Tax notice payments were not adjusted as collection and audit activity has resumed and performance of tax notice payments has resumed to normal.
 - Refunds were increased by 45%, (essentially 118% each month for December thru June with a couple modifications) to make them basically match last year's refunds. Anomalous refunds were received last year from large corporations. Because the large corporations are driving the increase thus far this year it is not out of the realm to think this may happen again by the end of this year.
- High: \$6.1m or 1% ahead of Plan, including anomalous receivable
 - Adjusted November to an anticipated amount of \$35.0m based on revenue received as of November 18, 2020.
 - 3% increase for return and extension payments compared to Plan was applied for December thru January. This is the gain from March thru October return and extension payments compared to prior year. This percentage was reduced to a -18% for January thru June. The -18% is tied to the prior recession with adjustments made to correlate to this economic environment. These returns and extensions will feel the largest hit from COVID-19.

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- Estimate payments percentage compared to Plan were reduced to 10% below Plan for November thru January. This is tied to March thru October estimates payment loss compared to prior year. The reduction was then adjusted to 3% below Plan for February thru June and correlates with the latest estimated GDP figures of -3% to -4% for the year.
- Tax notice payments were not adjusted as collection and audit activity has resumed and performance tax notice payments has resumed to normal.
- Refunds were not adjusted as in this scenario we anticipated them to come in as planned.

Factors to consider:

- FYTD we are \$38.4m or 20.7% ahead of Plan, \$18.3m of this is the anomalous receivable.
- FYTD we are \$44.1m or 24.5% ahead of prior year, \$18.3m of this is the anomalous receivable.
- Effects of the COVID-19 pandemic on business activity
- Potential for cash flow issues could impact the ability to pay
- Another Federal Government Stimulus Package
- We anticipate revenues could meet or exceed plan, rather than the large loss that was originally anticipated. This is due to the performance of September, October and November (to date) revenues as well as other states showing increases in business taxes. It appears that our largest taxpayers have not been as impacted by the pandemic as anticipated. Home improvement stores, medical industries, technological industries and box stores seem to be performing better than prior year decreasing the anticipated loss of revenues.

Estimated Revenue Adjustments by Month

	FY 2021 Actual with Anomalous Receivable				FY 2021 Estimate Compared to Plan								Total
	July	August	September	October	November	December	January	February	March	April	May	June	
Business Taxes - Low Range	87%	-21%	16%	14%	182%	-10%	-23%	-34%	-18%	-14%	-18%	-7%	-2%
Business Taxes - High Range	87%	-21%	16%	14%	182%	-9%	-7%	-13%	-14%	-11%	-9%	-4%	1%

Summary of FY 2020 Actual and FY 2021 DRA Estimate Range

	FY 2020		FY 2021				
	Preliminary Accrual	Anomalous Accrual	Plan	DRA Low	DRA High	Low vs. Plan	High vs. Plan
Business Taxes	\$681.5	\$18.3	\$786.1	\$768.4	\$792.2	-\$17.7	\$6.1

DRA Revised Estimated Revenues

Summary of Taxes

The table below lists all general and education trust fund taxes administered by the DRA, except the statewide education property tax (SWEPT), with an adjustment to Plan based on actual revenue performance as well as the anticipated impact on revenues for the remainder of FY 2021 due to the COVID-19 crisis:

Summary of FY 2020 Actual and FY 2021 DRA Estimate Range

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	Preliminary Accrual	Anomalous Accrual	Plan	DRA Low	DRA High	Low vs. Plan	High vs. Plan
Business Taxes	\$681.5	\$18.3	\$786.1	\$768.4	\$792.2	-\$17.7	\$6.1
Meals and Rentals Tax	\$313.8	\$1.6	\$386.9	\$292.3	\$312.6	-\$94.6	-\$74.3
Tobacco Tax	\$212.6	\$1.3	\$201.2	\$233.3	\$244.8	\$32.1	\$43.6
Interest and Dividends Tax	\$116.5	\$9.2	\$116.9	\$133.3	\$140.7	\$16.4	\$23.8
Communications Services Tax	\$39.6	\$0.2	\$39.8	\$38.9	\$38.9	-\$0.9	-\$0.9
Real Estate Transfer Tax	\$158.3	\$0.2	\$158.4	\$168.0	\$177.2	\$9.6	\$18.8
Utility Property Tax	\$43.3	\$0.0	\$44.2	\$43.0	\$43.0	-\$1.2	-\$1.2
Total DRA Taxes	\$1,565.6	\$30.8	\$1,733.5	\$1,677.2	\$1,749.4	-\$56.3	\$15.9