

# New Hampshire Department of Revenue Administration House Finance Committee

February 3, 2023



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# MISSION

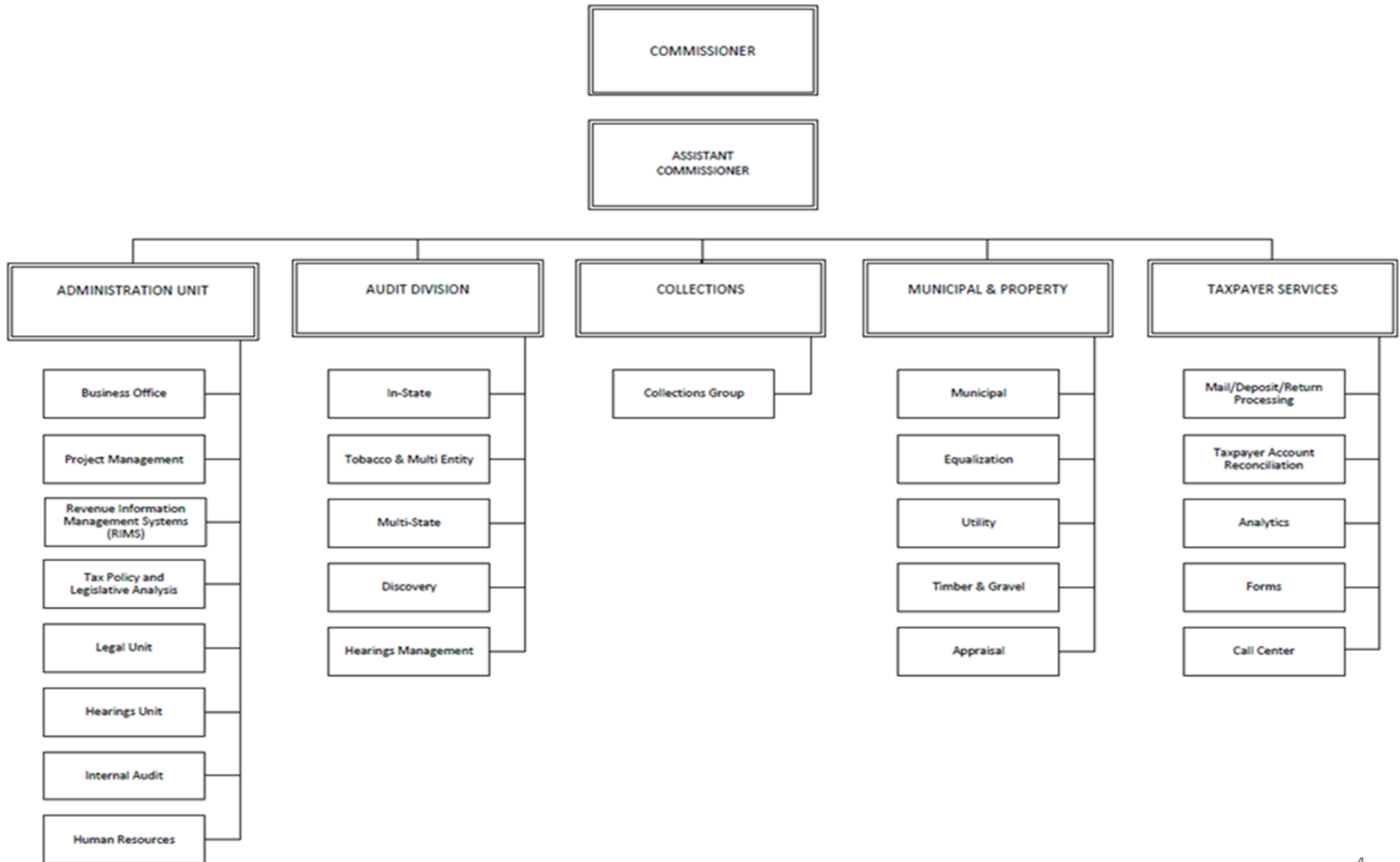
The mission of the Department of Revenue Administration is to fairly and efficiently administer the tax laws of the State of New Hampshire, collecting the proper amount of taxes due, incurring the least cost to the taxpayers, in a manner that merits the highest degree of public confidence in our integrity. Further, we will provide prompt and constructive assistance to the municipal units of government in matters of budget, finance, and the appraisal of real estate.



# TAXPAYER INTERACTION

It is the policy of the Department of Revenue Administration to administer the tax laws of the State in a manner that demonstrates efficiency, fairness, and courtesy towards every taxpayer.

# Department of Revenue Administration Organizational Chart



# Administration Unit

- Performs administrative functions necessary to support Department of Revenue Administration (DRA) operations, and includes:
  - Commissioner's Office
  - Business Office
  - Project Management
  - RIMS Management
  - Tax Policy & Legislative Analysis
  - Legal Bureau
  - Hearings Bureau
  - Internal Audit
  - Human Resources

# Audit Division

- Conducts audits of tax returns of individuals, partnerships, estates, trusts, corporations, and documents filed with the DRA to ensure compliance with New Hampshire tax laws and rules.
- Discovery /Nexus Unit researches federal and state filings to identify non-filers who may have a duty to file and pay New Hampshire taxes.

# Collections Division

- Initiates collection activities in pursuit of delinquent tax returns and outstanding payments for all taxes administered by DRA.
- Monitors monthly filing of meals and rentals tax returns.
- Issues wholesale tobacco tax licenses and meals and rentals tax licenses.
- Sells tobacco tax stamps.

# Municipal and Property Division

- Establishes and approves municipal, school, county and village district tax rates.
- Provides technical assistance and training in all aspects of municipal finance and budgeting.
- Monitors reappraisals and certifies tax assessors.
- Equalizes local assessed values of municipalities to full value.
- Appraises public utility and railroad property for the administration of corresponding taxes.
- Administers timber and gravel taxes.
- Provides support for statutorily attached boards (Assessing Standards Board and Current Use Board).



# Taxpayer Services Division

- Receives, processes, and stores all tax documents, return payments and electronic transactions filed with DRA.
- Manages forms development for all forms filed with DRA.
- Provides general assistance to the public for all taxes administered by the DRA and maintains taxpayer accounts.

## Department of Information Technology (Embedded Personnel)

- Designs, develops and maintains computerized systems to support the administration of taxes and to automate labor intensive functions.



# Taxes Administered by DRA ~ \$2.9B Revenue

<u>Tax Type</u>	<u>Current Tax Rate</u>	<u>Statute</u>
Business Enterprise Tax	0.55%	RSA 77-E
Business Profits Tax	7.5%	RSA 77-A
Communications Services Tax	7.0%	RSA 82-A
Interest and Dividends Tax	4.0%	RSA 77
Meals and Rooms Tax	8.5%	RSA 78-A
Medicaid Enhancement Tax	5.4%	RSA 84-A
NFQA	5.5%	RSA 84-C
Tobacco Tax	\$1.78 per pack/65.03% wholesale price	RSA 78
Tobacco Tax – E-Cigarettes	\$0.30 per milliliter/8% wholesale price	RSA 78
Taxation of Railroads	Average rate of taxation of other property	RSA 82
Utility Property Tax	\$6.60 per \$1,000 of utility property value	RSA 83-F
Excavation Tax	\$.02 per cubic yard (Local revenue)	RSA 72-B
Real Estate Transfer Tax	\$0.75 per \$100	RSA 78-B
Timber Tax	10% of stumpage value (Local revenue)	RSA 79
Property Tax (Includes SWEPT)	Varies (Local revenue)	RSA 76

## Taxes DRA Does Not Collect

<u>Tax Type</u>	<u>Statute</u>
Insurance Premium Tax	RSA 400-A
Beer Tax	RSA 178
Road Toll (Gas Tax)	RSA 260

# Tax Revenue - Fiscal Year 2022 (Audited)

<u>Tax Type</u>	<u>Audited Revenue</u>
Business Profits Tax	\$889.1M
Business Enterprise Tax	\$334.9M
Subtotal Business Tax	<hr/> \$1,224.0M
Communications Services Tax	\$29.9M
Interest and Dividends Tax	\$157.5M
Meals and Rooms Tax <sup>1</sup>	\$307.2M
Medicaid Enhancement Tax	*\$285.0M
NFQA	*\$39.9M
Tobacco Tax	\$231.9M
Taxation of Railroads	*\$0.3M
Utility Property Tax	\$43.3M
Real Estate Transfer Tax	\$232.6M
Statewide Education Property Tax	\$363.3M
<b>TOTAL</b>	<b>\$2.9B</b>

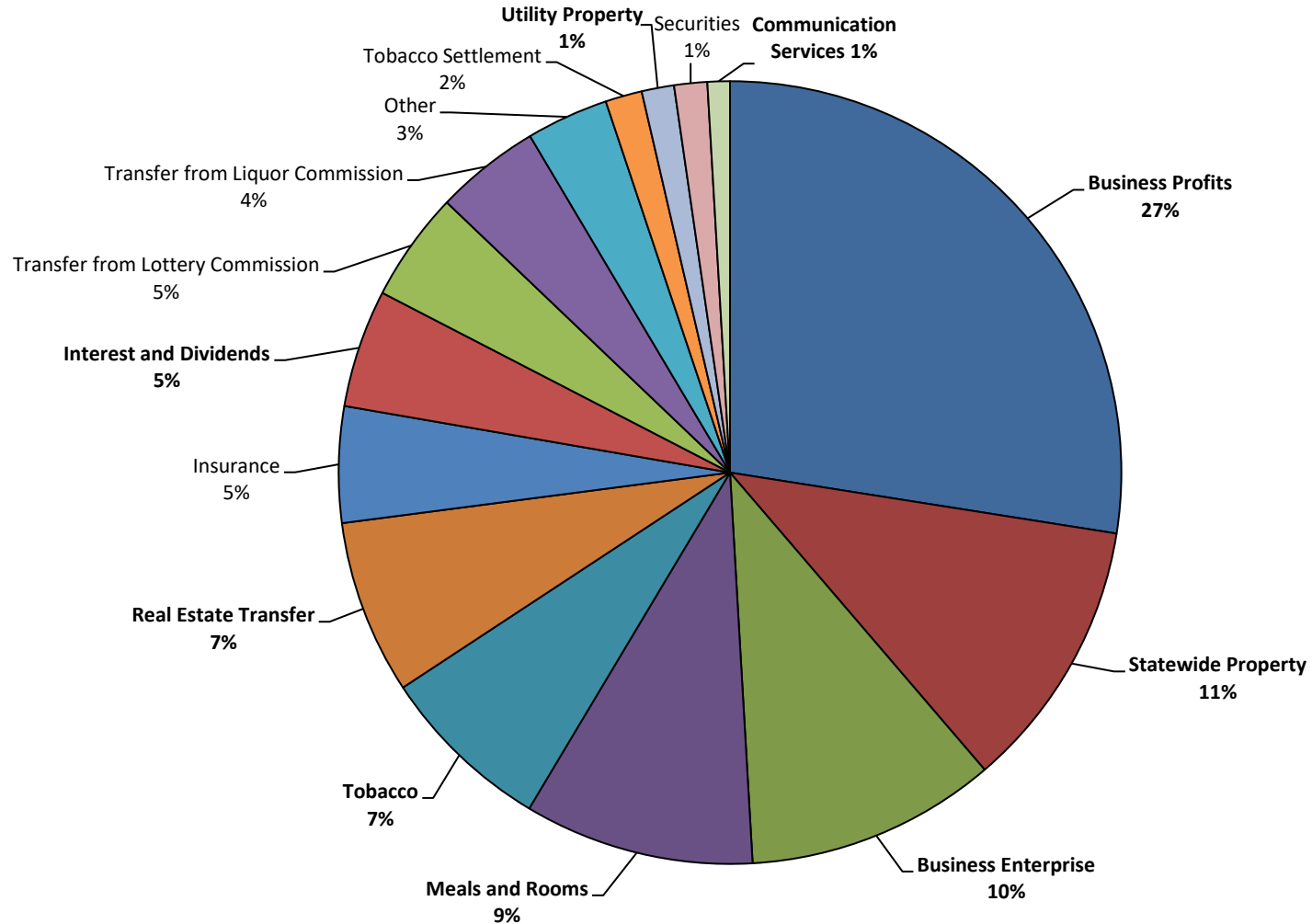
<sup>1</sup> FY2022 is net of \$100.1M Municipal Fund Transfer

\* FY2022 is Unaudited Cash

# Share of Unrestricted Revenues

General and Education Funds – Source FY2022 ACFR (Audited)

*Note: DRA's statutory responsibilities nearly 80.1% of NH State General and Education Trust Fund Revenue (\$2.6B out of \$3.2B)*



# Revenue Information Management System (RIMS)

- The DRA received a \$30,160,000 capital appropriation through general funds and other funds to replace the DRA's Tax Information Management System (TIMS).
- TIMS, which was implemented in 1990, was obsolete and limited in its functionality, impacting the reliability, usefulness, and security of taxpayer data.
- RIMS is used by taxpayers, practitioners, and DRA staff.
- RIMS was implemented by DRA, in partnership with DoIT, and is a complete backend technology system, housing and consolidating all taxpayer data.
- FAST Enterprises LLC was selected through a request for proposal process to implement and support their commercial off-the-shelf software, GenTax for tax administration.
- Implementation consisted of three phases, each taking about a year, and the contract also included support and maintenance of the system for four years after implementation.
- Total cost for the seven-year contract is \$29,550,000.

# Three Rollouts





Username

Password

**Log in**

[Forgot Password?](#)

[Don't have a username?](#)

**Create One**

🔍 *Type in a keyword to narrow your choices*



### Registration and Applications

Register or apply to file and pay your taxes with the DRA

- > Register a New Taxpayer
- > Apply for a Meals and Rentals Tax License
- > Apply for a Tobacco Tax License
- > Apply for a Communications Services Tax Registration Number



### Payments

Make an online payment

- > Pay a Voucher Received From the Department
- > Make a Payment
- > Apply for a Payment Plan



### Real Estate Transfers

Submit documents related to a transfer in real estate or transfer of interest in real estate.

- > File a Declaration of Consideration
- > File a Declaration of Consideration for Holding Companies
- > File an Inventory of Property Transfer



### Taxpayer Reference

Find previous submissions or anonymously report tax fraud

- > Find a Submission
- > Report Tax Fraud



### Businesses and Individuals

Submit filings for businesses and individuals

- > Submit a Certification Request
- > Submit an S Corporation Information Report
- > File a Consumer Tobacco Products Tax Return
- > Upload a Power of Attorney PDF



### Reporting

Find information on Meals and Rentals or Tobacco Tax Licenses and Modernized e-File Vendors

- > Look Up a Meals and Rentals Tax License
- > Look Up a Tobacco Tax License
- > View Additions/Deletions to Tobacco Tax Licenses
- > View the Modernized e-File Vendor Matrix

# RIMS Revenue Uplift

During the 2017 Legislative Session, the State's Capital Budget (HB 25, Chapter 228, Section 1, XIX) appropriated \$30.16 million to the Department of Revenue Administration (DRA) for the establishment of a new back-end technology system to process, house, and consolidate all taxpayer data (Revenue Information Management System or RIMS) and a new front-end taxpayer portal (Granite Tax Connect or GTC) to facilitate efficient tax administration. \$24.16 million of the total appropriation for the project was financed through the issuance of bonds, which pursuant to RSA 21-J:1-b, are to be paid from a non-lapsing revenue information management system account. The revenue information management system account shall be funded with the yearly transfer of revenue increases from existing taxes attributable to RIMS in an amount not greater than \$4 million each fiscal year, beginning the fiscal year ending June 30, 2020 and ending when total deposits equal \$40 million.



# RIMS Revenue Uplift

To date DRA has transferred the following amounts to the RIMS Account:

- FY 2020 = \$0.0m
- FY 2021 = \$2.2m
- FY 2022 = \$4.0m

For FY 2022, revenue uplift was identified from M&R, I&D, BPT and BET through reminder to pay letters and the use of Federal Tax Information as follows:

<b>Tax Type</b>	<b>Total Revenue Increase</b>	<b>% of Total</b>	<b>FY 2022 Revenue Increase</b>
<b>Meals &amp; Rentals Tax</b>	\$180,051.06	3.4%	\$134,864.96
<b>Interest &amp; Dividends Tax</b>	\$1,305,172.09	24.4%	\$977,622.59
<b>Business Profits Tax</b>	\$2,702,330.31	50.6%	\$2,024,146.23
<b>Business Enterprise Tax</b>	\$1,152,634.46	21.6%	\$863,366.22
<b>TOTAL:</b>	<b>\$5,340,187.92</b>	<b>100%</b>	<b>\$4,000,000.00</b>

# FY 2024 / FY 2025 Agency Budget Highlights

- Current position count is maintained at 156 full-time classified and unclassified positions, and four part-time positions.
  - Our general fund operating budget is 75% salary and benefits; we're a department of people, not things or programs.
- Budget request includes sufficient funding for employee training, out of state travel for audits, overtime for peak periods in Taxpayer Services and Collections, maintaining a fleet of state-owned cars for in-state audits and property appraisal work, and postage for DRA communications to taxpayers.
- There are no budget increases for one-time State Workforce Efficiency Enhancement Program (SWEEP) projects.
- Division Directors, Business Office, and other managers worked hard to budget conservatively and accurately, requesting funds for needs not wants.

# FY 2024 / FY 2025 Agency Budget – Prioritized Needs

- The DRA's efficiency budget as submitted maintains all current operations, however, there are certain areas where DRA has requested additional funding in the form of prioritized needs.
- The DRA's additional prioritized needs include:
  - Low and Moderate Income Hardship Grants
    - Chapter 95, Laws of 2021 increased the income limitations and the maximum amount of tax relief available for the Low and Moderate Income Property Tax Relief (L&M) program.
    - Change effective for April 1, 2021 property tax year with 5,912 claims issued to date totaling \$1,403,292, compared to 5,572 claims totaling \$800,000 for the April 1, 2020 year.
    - Prioritized need of \$700,000 to bring total appropriation to \$1.5m.
    - FY 2023 difference between appropriation of \$800,000 to actual expense will be covered pursuant to RSA 198:61 where the Governor is authorized to draw a warrant from the Education Trust Fund to satisfy the State's L&M obligation.

# FY 2024 / FY 2025 Agency Budget – Prioritized Needs (continued)

- The DRA's additional prioritized needs include:
  - Revenue Information Management System (RIMS) Support
    - \$30,160,000 capital appropriation includes hardware maintenance and software licensing through FY 2025, but only includes software maintenance/consulting through the first quarter of FY 2024.
    - Request includes maintaining current level of software maintenance/consulting support through FY 2025.
    - Also requesting funding for two DoIT positions that are currently unfunded to prepare for 40-60% of DoIT embedded positions at DRA eligible for retirement during the FY 2024/FY 2025 biennium, and to increase knowledge transfer from RIMS consultants to state employees for the ongoing maintenance of RIMS.

# Update on FY 2022 / FY 2023 Budget Priorities

- Revenue Information Management System (RIMS)
  - Final Rollout (Rollout 3) went live on August 9, 2021 with the remaining tax types.
  - We have realized many benefits to the RIMS system over the past year:
    - Efficiency of the system helped the DRA continue to timely process documents received, even with a vacancy rate of ~15%.
    - Revenue increases from existing taxes attributable to the implementation of RIMS reached the cap of \$4m in FY 2022.
      - Reminder to pay letters = \$2.3m
      - Use of Federal Tax Information generated = \$1.7m
- Customer Service remains a priority of DRA.
  - In FY 2022 and FY 2023 to date, DRA has maintained a rating of 3 or higher (on a scale of 1 to 5) from 98% of customer satisfaction surveys that callers receive at the end of their calls into our call center.
  - Included with RIMS was the launch of Granite Tax Connect (GTC) which is an online portal allowing taxpayers and practitioners to make payments, file documents, check account status and more.
    - To date we have 30,648 external GTC users