

New Hampshire Department of Revenue Administration

Fiscal Note Quick Guide

18-2447

HB 1429-FN-A, *relative to exemptions from the tax on interest and dividends.*

House Ways & Means

This proposed legislation amends RSA 77:3, I (a), the Interest and Dividends (I&D) Tax by increasing the income filing threshold for individuals only from \$2,400 to \$4,800. However, the Department has assumed that the increase in income threshold was also meant to apply to RSA 77:3, I (b) and (c), partnerships, limited liability companies, and associations and executors. This proposed legislation also amends RSA 77:5 I by increasing the exemption on income from \$2,400 to \$4,800 for all taxpayers.

The proposed legislation would decrease revenues to the General Fund by an indeterminable amount. The Department performed an analysis as if this proposed legislation was in effect in Tax Year 2015. The total I&D Tax liability reported by taxpayers for Tax Year 2015 was \$83,903,664. The Department examined all taxpayers filing an I&D Tax return for Tax Year 2015 and adjusted the claimed threshold from \$2,400 to up to \$4,800 to calculate the fiscal impact of the proposed legislation. Increasing the I&D Tax threshold and exemptions from \$2,400 to \$4,800 for individuals, partnerships, and fiduciaries for Tax Year 2015 results in a tax liability of \$76,908,695 and a reduction in revenue of \$6,994,969.

Typically some number of taxpayers who have overpaid their tax liability will carry that overpayment as a credit on their account with the Department rather than request a refund. Taxpayers who no longer have an I&D Tax liability due to the new threshold and exemptions are likely to request that credit as a refund. These requested refunds would increase the estimated revenue loss of \$6,994,969 by an indeterminable amount.

The proposed legislation could be administered within the Department's existing operating budget, however the Department would note the following:

RSA 77:3, I addresses who is taxable and the applicable income threshold. Within RSA 77:3, I there are three sections, a through c, which identify the income threshold for particular entities. This proposed legislation only amends RSA 77:3, I(a) and does not address RSA 77:3, I(b) relative to partnerships, limited liability companies, and associations, the beneficial interest in which is not represented by transferable shares or RSA 77:3, I (c) relative to executors. The Department has assumed that this proposed legislation was intended to increase the income threshold for all I&D taxpayers. However, additional amendments to RSA 77:3, I (b) & (c) are required to fully implement that intent. Otherwise, some number of taxpayers will be required to file an I&D Tax return because their I&D income exceeds the filing threshold, but will at the same time have no tax payment obligation because their I&D income does not exceed the exemption amount.

Additionally, the proposed legislation has no applicability date. The Department would recommend an applicability date that impacts “taxable periods ending on or after December 31, 2019.” Approximately 90% of taxpayers use a calendar year as their tax year, so adopting the above applicability date ensures that a tax law change will impact the vast majority of taxpayers equally.