

# New Hampshire Department of Revenue Administration

## Fiscal Note Quick Guide

19-0324

**HB 530**, *reducing the rate of the real estate transfer tax for a 2-year period.*

### House Ways & Means

The proposed legislation reduces the rate of the Real Estate Transfer Tax (RETT) from \$.75 per \$100 to \$.70 per \$100, effective July 1, 2019. The rate reduction is then reversed after two years, effective July 1, 2021, returning the RETT rate to the current \$.75 per \$100.

The County Registries of Deeds collect the RETT and remit it monthly to the Department of Revenue Administration (Department), and keep a 4% commission. The Department has insufficient information to determine how long the County Registries would need to update systems to reflect the new rate (and then back to the current rate), and if there would be associated costs.

Lastly, the Department would need to update the RETT forms and its information management systems with respect to the proposed legislation, but without any additional costs that could not be absorbed in its operating budget.

To determine the fiscal impact the Department utilized FY 2018 RETT revenues, assuming no growth in RETT revenues from FY 2018 to FY 2020.

Utilizing FY 2018 RETT revenues, the proposed legislation would decrease State revenues to the General and Education Trust Fund by \$9,733,266 and County revenues by \$398,362, for a total reduction in revenues of \$10,131,628 per fiscal year in FY 2020 and FY 2021.

Based on FY 2018 data, the total price or consideration for transfers subject to the RETT of \$.75 per \$100 (which applies to both the purchaser and seller), and not the minimum tax of \$20, was \$10,131,627,533 and the RETT paid \$151,974,413 (including \$2,588,666 from holding company activity). The Department applied the new rate of \$.70 per \$100 (or \$1.40 per \$100 counting both the purchaser and seller) to the FY 2018 base of \$10,131,627,533, to arrive at RETT revenues of \$141,842,785 (including \$2,416,088 from holding company activity). This equals a total reduction of \$10,131,628 (including \$172,578 from holding company activity) per fiscal year in FY 2020 and FY 2021.

To calculate the fiscal impact to County revenues, the Department removed the \$172,578 attributable to holding company activity from the total \$10,131,628 reduction, because holding company activity is reported directly to the Department and so the County Registries retain no commissions. The resulting figure was then multiplied by the 4% commission rate to calculate a \$398,362 loss sustained by the counties per fiscal year in FY 2020 and FY 2021.

Finally, the Department recommends adding an applicability date to the proposed legislation to avoid confusion over its applicability to transfers executed prior to the effective date but recorded after the effective date.