

New Hampshire Department of Revenue Administration

Fiscal Note Quick Guide

19-0689

HB 623, *relative to the rates of the business profits tax and business enterprise tax*

House Ways & Means

Section 1 of this proposed bill increases the Business Profits Tax (BPT) rate for taxable periods ending on or after December 31, 2019 from 7.7% to 8.5%.

Section 2 of this proposed bill reduces the Business Enterprise Tax (BET) rate for taxable periods ending on or after December 31, 2019 from 0.60% to 0.50%.

The proposed legislation repeals the prospective amendments which reduce the BPT and BET rates in 2021.

The proposed legislation is effective 60 day after its passage and applicable to taxable periods ending on or after December 31, 2019.

The fiscal impact is an indeterminable decrease to the General and Education Trust Fund.

However, in order to calculate a possible fiscal impact of the proposed rate changes, the Department assumed that the current 2019 and 2021 rate reductions would have been in effect for FY2020 through FY2023, and looked at the difference in revenue from those rate reductions to the proposed rate changes.

To calculate the current 2019 and 2021 rate reductions as well as the proposed rate changes, the Department used the FY2018 cash basis revenue of \$775,900,000 from the June 2018 Department of Administrative Services Revenue Focus for the starting point.

The department did an analysis based on prior years to break out the split of tax year revenue to fiscal year revenue. The split breakdown used for FY2018 revenue was 13% attributable to tax year 2016, 64% attributable to tax year 2017, and 23% attributable to current tax year 2018.

Applying the split to the FY2018 revenue as well as applying the applicable rate creates a base of \$47,786,625,316 to use for the starting point.

The rate changes are then applied to the applicable tax and calculated at the new rate to come up with a year-over-year impact, as shown in the table below.

Please note that the fiscal impact of the proposed rate reductions may be overstated or understated for future fiscal years depending on whether actual revenue is more or less than FY2018.

Fiscal Impact of Rate Changes by Fiscal Year

Business Taxes				
Fiscal Year	FY18 Revenue with Current BPT and BET Rate Reductions Applied	FY18 Revenue with New BET Rate Reduction and BPT Rate Increase	Year-Over-Year Difference	Cumulative Difference
2020	\$ 710,527,743	\$ 717,369,371	\$ 6,841,629	\$ 6,841,629
2021	\$ 692,565,789	\$ 710,135,004	\$ 17,569,215	\$ 24,410,844
2022	\$ 658,212,733	\$ 710,135,004	\$ 51,922,270	\$ 76,333,114
2023	\$ 651,234,769	\$ 710,135,004	\$ 58,900,235	\$ 135,233,349