

Department of Revenue Administration

Revised Revenue Estimates

The Department of Revenue Administration (DRA) has developed revised FY2024 and FY2025 revenue estimates for the following taxes: Business Profits Tax (BPT), Business Enterprise Tax (BET), Meals and Rentals Tax, Tobacco Tax, Interest and Dividends Tax, Communications Services Tax, Real Estate Transfer Tax, and Utility Property Tax. The DRA estimates were calculated by adjusting FY2024 Plan based on currently available data through April, as well as expected revenues monthly for May 2024 and June 2024. Lastly, these estimates are subject to change.

Estimate Scenarios	Description
Plan	State of NH FY24 Revenue Plan for the General & Education Trust Funds combined
Sustaining % versus Plan	Actual revenue for the first ten months of FY2024 plus sustaining % vs Plan for the last two months of FY2024
Year-Over-Year Growth	Actual revenue for the first ten months of FY2024 plus sustaining % vs prior year for the last two months of FY2024
Actual with Plan	Actual revenue for the first ten months of FY2024 with Plan revenue for the last two months of FY2024
Actual with Prior Year	Actual revenue for the first ten months of FY2024 with actual prior year revenue for the last two months of FY2024

FY25 Committee of Conference Surplus Statement Items

Below are adjustments from the FY25 Committee of Conference Surplus Statement.

FY25 Surplus Statement Adjustments to the <u>General Fund</u>	
<i>\$ in Millions</i>	
BPT General Fund Split 59%	-\$186.9
BET General Fund Split 59%	\$188.0
BPT Audit Positions	\$1.4
BET Audit Positions	\$0.6
Interest and Dividends Accelerated Repeal	-\$17.4

FY25 Surplus Statement Adjustments to the <u>Education Trust Fund</u>	
<i>\$ in Millions</i>	
BPT Education Trust Fund Split 41%	\$186.9
BET Education Trust Fund Split 41%	-\$188.0
BPT Audit Positions	\$0.7
BET Audit Positions	\$0.3

Business Taxes BPT & BET: Split 76.4% BPT 23.6% BET

Factors to consider:

- FYTD we are \$3.3M or 0.3% below Plan.
- FYTD we are \$38.3M or 3.6% below prior year.
- Impact of refunds resulting from the credit carryforward limitations that went into effect for tax years 2022 and after.
 - 48.8% of the value of refunds issued in FY24 through April were related to credit carryforwards.
 - Taxpayers who kept 500% of their tax liability as a credit carryforward were 20.4% of the refunds issued due to the credit carryforward cap.
- Impact of Single Sales Factor.
 - Singles Sales Factor impact on Tax Year 2022 Revenue is +\$49.7M through April 29, 2024.
- Largest stimulus packages the federal government has ever infused into the economy in prior tax years have now ended.
- Unemployment rates and economy.
 - Kiplinger forecasts a 2.5% growth in GDP in 2024 and 1.9% in 2025, compared to 2.5% in 2023.
 - Kiplinger forecasts unemployment rising to 4.0% at the end of 2024, up from 3.8% now.
- Inflation.
 - Kiplinger forecasts 3.3% inflation at the end of 2024, down from 3.8% currently.

DRA Taxes - FY2024 thru FY2025 Revised Revenue Estimates						
Business Taxes		DRA FY2024 Revised Estimate	DRA FY2024 Revised Compared to Plan		DRA FY2025 Revised Estimate	DRA FY2025 Revised Compared to Plan
\$ in Millions		\$1,243.0	-0.3%		\$1,246.0	-0.8%

DRA Revised FY2024 Estimate:

- Sustaining % versus Plan
 - Incorporates variances from returns and extensions received in March and April that would impact June estimates.

DRA Revised FY2025 Estimate:

- Flat base growth applied to DRA FY2024 revised estimate plus \$3.0M surplus items for FY2025.

Meals & Rentals Tax (Historical Breakdown: 80% meals, 17% rooms and 3% motor vehicles)

Factors to consider:

- FYTD we are \$5.3M or 2.0% ahead of Plan.
- FYTD we are \$7.0M or 2.6% ahead of prior year.
- Inflation and cost of meals, rooms, and motor vehicle rentals.
- Climate impact.
 - 2023 wettest summer on record.
 - 2023-2024 warmest winter on record.
- Impact of the Total Solar Eclipse on April M&R liability.
- School Building Aid Transfer in accordance with RSA 78-A:26, I (a).
- Municipal Revenue Fund monthly transfer in accordance with RSA 78-A:26, as amended by HB2 (Ch.91, Laws of 2021).

DRA Taxes - FY2024 thru FY2025 Revised Revenue Estimates					
Meals & Rentals Tax	DRA FY2024 Revised Estimate	DRA FY2024 Revised Compared to Plan	DRA FY2025 Revised Estimate	DRA FY2025 Revised Compared to Plan	
\$ in Millions	\$326.9	2.0%	\$325.0	0.0%	

DRA Revised FY2024 Estimate:

- Sustaining % versus Plan
 - This is net of the Municipal Revenue Fund Transfer.

DRA Revised FY2025 Estimate:

- Flat base growth applied to DRA FY2024 revised estimate then adjusted down for a \$1.9M increase in the Municipal Revenue Fund Transfer. The Municipal Revenue Fund Transfer for FY2025 increased due to the upward revision in FY2024.

House and Senate Ways & Means Committees May 7, 2024

The **School Building Aid Transfer (SBA)** is transferred every month in accordance with RSA 78-A:26, I (a). and is shown in the schedule below. The SBA transfer is the amount necessary to provide payments of principal and interest on the bonds and notes authorized under RSA 198:15-a, II for the fiscal years ending June 30, 2009 through June 30, 2030.

SBA totaled \$8.1M in FY2022, \$7.0M in FY2023 and is \$6.8M in FY2024.

School Building Aid Debt Service

	Monthly Transfers from Gross M&R	FY Total Bond Payments
FY2010	\$ -	\$ 365,508
FY2011	\$ 419,185	\$ 5,030,216
FY2012	\$ 1,214,985	\$ 14,579,816
FY2013	\$ 1,202,038	\$ 14,424,456
FY2014	\$ 1,166,713	\$ 14,000,560
FY2015	\$ 1,131,367	\$ 13,576,401
FY2016	\$ 1,096,028	\$ 13,152,341
FY2017	\$ 1,060,697	\$ 12,728,361
FY2018	\$ 1,025,953	\$ 12,311,441
FY2019	\$ 991,880	\$ 11,902,560
FY2020	\$ 957,538	\$ 11,490,451
FY2021	\$ 692,656	\$ 8,311,872
FY2022	\$ 672,516	\$ 8,070,192
FY2023	\$ 585,709	\$ 7,028,512
FY2024	\$ 568,023	\$ 6,816,272
FY2025	\$ 549,956	\$ 6,599,472
FY2026	\$ 531,267	\$ 6,375,200
FY2027	\$ 511,773	\$ 6,141,280
FY2028	\$ 491,900	\$ 5,902,800
FY2029	\$ 471,647	\$ 5,659,760
FY2030	\$ 317,680	\$ 3,812,160
Total		\$ 188,279,630



House and Senate Ways & Means Committees May 7, 2024

The **Municipal Fund Transfer** is transferred every month with RSA 78-A:26, as amended by HB2 (Ch.91, Laws of 2021). NH Treasury distributes M&R revenue to cities and towns following the formula within RSA 78-A:26 which is currently 30% of net income from the most recent fiscal year. There is a transfer occurring each month of FY2024 and is based on the timing of M&R revenue.

The Municipal Fund Transfer will total \$130.9M in FY2024 and is estimated to be \$134.6M in FY2025.

Meals & Rooms Municipal Revenue Fund Transfer

	FY2024
July	11,800,000
August	14,600,000
September	14,300,000
October	11,800,000
November	11,800,000
December	8,900,000
January	9,786,000
February	8,768,300
March	9,379,400
April	9,686,000
May	9,583,800
June	10,503,767
Total	130,907,267

Tobacco Tax (FY2024 YTD Revenue Breakdown: 83% Cigarette Stamps and 17% Other Tobacco Products including E-Cigarettes)

Factors to consider:

- FYTD we are \$17.9M or 10.1% below Plan.
- FYTD we are \$20.2M or 11.2% below prior year.
- FYTD through April FY2024 stamp sales are 15% below FY2023.
- Consumption shift to other tobacco products from stamped cigarettes.
 - Only stamped cigarette tax revenue is transferred to the Education Trust Fund at 43.82%.
- National ban on flavored tobacco products still being considered by the Department of Health and Human Services but placed on indefinite hold.

DRA Taxes - FY2024 thru FY2025 Revised Revenue Estimates						
Tobacco Tax		DRA FY2024 Revised Estimate	DRA FY2024 Revised Compared to Plan		DRA FY2025 Revised Estimate	DRA FY2025 Revised Compared to Plan
\$ in Millions		\$191.7	-10.6%		\$189.8	-10.6%

DRA Revised FY2024 Estimate:

- Year-Over-Year Growth.

DRA Revised FY2025 Estimate:

- -1.0% from FY2024 to align with decrease in tobacco stamps sold trend prior to uptick seen during the pandemic.

Interest & Dividends Tax

TY 2021 Breakdown: 47.5% Taxable Annuities or Actual Cash & Property Distributions, 38.1% Dividend Income, 9.2% Interest Income and 5.2% Federal Tax Exempt Interest Income

Factors to consider:

- FYTD we are \$56.7M or 54.2% ahead of Plan.
- FYTD we are \$34.0M or 26.7% ahead of prior year.
- Stock Market performance.
- Interest rates.
- HB 2 (Chapter 79, Section 85- 88, Laws of 2023) accelerates the phase out the Interest and Dividends (I&D) Tax starting at 4% for taxable periods ending on or after December 31, 2023, and 3% for taxable periods ending on or after December 31, 2024. The I&D Tax is then repealed for taxable periods beginning after December 31, 2024.

DRA Taxes - FY2024 thru FY2025 Revised Revenue Estimates					
Interest & Dividends Tax	DRA FY2024 Revised Estimate	DRA FY2024 Revised Compared to Plan		DRA FY2025 Revised Estimate	DRA FY2025 Revised Compared to Plan
\$ in Millions	\$184.6	50.3%		\$109.4	10.1%

DRA Revised FY2024 Estimate:

- Actual revenue for the first ten months of FY2024 with actual prior year revenue for the last two months of FY2024.

DRA Revised FY2025 Estimate:

- FY25 flat base growth applied to DRA FY2024 revised estimate base, less amended \$22.9M accelerated repeal of I&D for Tax Year 2025.

Communications Services Tax

Factors to consider:

- FYTD we are \$0.5M or 2.0% ahead of Plan.
- FYTD we are \$0.6M or 2.4% ahead of prior year.
- Taxability of video conferencing and the use of the product as companies start to shift back to the office.
- Decreased use of VoIP.

DRA Taxes - FY2024 thru FY2025 Revised Revenue Estimates

Communications Services Tax	DRA FY2024 Revised Estimate	DRA FY2024 Revised Compared to Plan	DRA FY2025 Revised Estimate	DRA FY2025 Revised Compared to Plan
\$ in Millions	\$30.0	0.0%	\$30.0	0.0%

DRA Revised FY2024 Estimate:

- No change from plan.

DRA Revised FY2025 Estimate:

- No change from plan.

Real Estate Transfer Tax

Factors to consider:

- FYTD we are \$22.5M or 12.9% below Plan.
- FYTD we are \$29.4M or 16.2% below prior year.
- FYTD amounts are net of the \$5M transfer to the Affordable Housing Fund as provided in RSA 78-B:13, III.
- Inventory shortage, cost of building supplies and a lower affordability factor.
 - NHAR publishes a NH Housing Affordability Index which measures housing affordability for the region. For example, an index of 120 means the median household income is 120% of what is necessary to qualify for the median-priced home under prevailing interest rates. March 2024 (59) had the lowest month in the last year on the affordability index for single family homes.
- Available housing and property values.
 - According to the NHAR, the Median Sales Price was up 11.6% (\$500K) for single family and up 14.4% (\$409.5K) for condos in March 2024.
- Mortgage interest rates above historic lows.
 - Mortgage rates were 7.51% for 30-year-fixed on 4/30/2024, above 6.59% on 4/30/2023, 5.4% 4/30/2022, and 3.19% 4/30/2020.

DRA Taxes - FY2024 thru FY2025 Revised Revenue Estimates				
Real Estate Transfer Tax	DRA FY2024 Revised Estimate	DRA FY2024 Revised Compared to Plan	DRA FY2025 Revised Estimate	DRA FY2025 Revised Compared to Plan
\$ in Millions	\$175.3	-16.5%	\$175.3	-16.5%

DRA Revised FY2024 Estimate:

- Year-Over-Year Growth.

DRA Revised FY2025 Estimate:

- Flat from FY2024 revised estimate.

The **Land & Community Heritage Investment Program (LCHIP)** is funded by \$25 fees charged for recording each deed, mortgage, mortgage discharge or plan that are recorded at the ten County Registry Offices across the state per RSA 478:17-g, II(a). The LCHIP funds are paid to the state by the Counties, along with the RETT return each month and then transferred to the LCHIP program fund.

LCHIP totaled \$4.7M in FY2022, \$3.2M in FY2023, and \$2.4M has been transferred to LCHIP in FY2024 through April 2024.

Utility Property Tax

Factors to consider:

- FYTD \$4.1M or 12.7% ahead of Plan.
- FYTD \$4.8M or 15.2% ahead of prior year.
- The increase in revenue compared to prior year and Plan was due to increased valuation and taxpayers having used credit carryovers in the prior year.
- Some property may decline in value due to changes in economic conditions.
- New taxable property may be constructed.

DRA Taxes - FY2024 thru FY2025 Revised Revenue Estimates					
Utility Property Tax	DRA FY2024 Revised Estimate	DRA FY2024 Revised Compared to Plan	DRA FY2025 Revised Estimate	DRA FY2025 Revised Compared to Plan	
\$ in Millions	\$46.1	9.8%	\$43.0	0.0%	

DRA Revised FY2024 Estimate:

- Actual with Plan

DRA Revised FY2025 Estimate:

- No Change from Plan

DRA Revised Estimated Revenues

Summary of Taxes

The table below summarizes the DRA’s revised estimated revenues for FY2024 as well as FY2025.

DRA Taxes - FY2024 thru FY2025 Revised Revenue Estimates									
\$ in Millions	FY2024 Plan	DRA FY2024 Revised Estimates	DRA FY2024 Revised Compared to Plan		FY2025 Plan	DRA FY2025 Revised Estimates	DRA FY2025 Revised Compared to Plan		
Business Taxes	\$1,247.0	\$1,243.0	(\$4.0)	-0.3%	\$1,256.0	\$1,246.0	(\$10.0)	-0.8%	
Meals and Rentals Tax	\$320.6	\$326.9	\$6.3	2.0%	\$325.0	\$325.0	\$0.0	0.0%	
Tobacco Tax	\$214.4	\$191.7	(\$22.7)	-10.6%	\$212.3	\$189.8	(\$22.5)	-10.6%	
Interest and Dividends Tax	\$122.8	\$184.6	\$61.8	50.3%	\$99.4	\$109.4	\$10.0	10.1%	
Communications Services Tax	\$30.0	\$30.0	\$0.0	0.0%	\$30.0	\$30.0	\$0.0	0.0%	
Real Estate Transfer Tax	\$210.0	\$175.3	(\$34.7)	-16.5%	\$210.0	\$175.3	(\$34.7)	-16.5%	
Utility Property Tax	\$42.0	\$46.1	\$4.1	9.8%	\$43.0	\$43.0	\$0.0	0.0%	
Total DRA Taxes	\$2,186.8	\$2,197.6	\$10.8	0.5%	\$2,175.7	\$2,118.5	(\$57.2)	-2.6%	