

New Hampshire Department of Revenue Administration

Fiscal Note Quick Guide

19-0029

HB 117, *increasing exemptions under the interest and dividends tax and decreasing the total amount of research and development credits against business taxes.*

House Ways & Means

Section 1 of the proposed legislation amends RSA 77:3, I to increase the Income and Dividends (“I&D”) Tax filing threshold from \$2,400 to \$3,500.

Section 2 of the proposed legislation amends RSA 77:5 to increase the I&D Tax income exemption from \$2,400 to \$3,500, and its additional exemptions for blind, disabled, and 65 years of age or older taxpayers from \$1,200 to \$1,750.

Sections 1 and 2 of the proposed legislation shall take effect January 1, 2020 and apply to tax years ending on or after December 31, 2020.

Section 3 of the proposed legislation amends RSA 77-A:5, XIII(a)(1) to decrease the aggregate of research and development (“R&D”) credits allowed against Business Taxes for any fiscal year, from \$7,000,000 to \$2,000,000.

Section 3 of the proposed legislation shall take effect July 1, 2019.

The proposed legislation could be administered within the Department’s existing operating budget.

Sections 1 and 2 of the proposed legislation, increasing the filing threshold and exemptions under the I&D Tax, would result in an indeterminable decrease in State General Fund revenue. The Department cannot determine the potential decrease in revenue in future years because it has no way of knowing the number of taxpayers with respect to any year, or the taxpayers’ income or exemptions.

However, the Department did apply the changes contained in the proposed legislation to tax year 2016 to show the possible impact on revenue in that tax year. If the proposed legislation had been in effect for tax year 2016, State General Fund revenue would have decreased by an estimated \$6,457,625.

- The Department examined tax year 2016 as of 10/12/18. The total I&D Tax liability reported by taxpayers for tax year 2016 was \$87,922,623. To calculate the estimated fiscal impact of the proposed legislation with respect to tax year 2016, the Department adjusted the filing threshold from \$2,400 to \$3,500, and the exemptions claimed by taxpayers from \$1,200 to \$1,750. Increasing the filing threshold and exemptions resulted in a tax year 2016 I&D Tax liability of \$81,464,998, which is a decrease in revenue of \$6,457,625.

Additionally, there are some taxpayers who have overpaid their tax liability that carry the overpayment as a credit rather than request a refund. If a taxpayer no longer has an I&D Tax liability due to the changes in the proposed legislation, it may request that its credit be refunded. Any requested refunds would add to any revenue decrease attributable to the proposed legislation.

Lastly, section 3 of the proposed legislation decreasing the total amount of R&D credits against Business Taxes would result in an indeterminate increase of *up to* \$5,000,000 in State General Fund and Education Trust Fund revenues. The Department cannot determine the potential increase in revenue in future years because it has no way of knowing the extent to which taxpayers would use previously awarded R&D credits against Business Taxes in any year. A taxpayer may use an R&D credit to offset its tax liability within the subsequent 5 tax years.