

# New Hampshire Department of Revenue Administration

## Fiscal Note Quick Guide

19-0150

**HB 185**, *relative to contingently reducing the rate of the interest and dividends tax and repealing the tax in 5 years.*

### House Ways & Means

Section 1 of the proposed legislation reduces the rate of the Interest and Dividends (“I&D”) Tax, RSA 77, from 5 percent to 4 percent “for taxable periods ending January 1, 2020 through December 31, 2020.” It contingently reduces the tax rate further “beginning with taxable periods ending January 1, 2021 and later,” until December 31, 2024.

The I&D Tax rates applicable “beginning with taxable periods ending January 1, 2021 and later,” until December 31, 2024, are contingent upon whether the combined unrestricted general and education trust fund revenues collected for the most recently completed fiscal year is equal to or greater than the corresponding amount specified in the state operating budget for that year. Each year that the legislative budget assistant finds that such revenues were equal to or greater than the corresponding amount specified in the state operating budget, the proposed legislation reduces the tax rate applicable to “the subsequent January 1 through December 31 period” by one percent.

Section 2 of the proposed legislation doubles the I&D Tax filing threshold from \$2,400 to \$4,800. But it has no applicability date.

Section 3 of the proposed legislation doubles the exemptions from the I&D Tax. It increases the income exemption from \$2,400 to \$4,800, and the 65 years of age or older, blind, and disabled exemptions from \$1,200 to \$2,400. But it has no applicability date.

Sections 1 through 3 of the proposed legislation take effect July 1, 2019. However, the various applicability dates do not correspond to any particular tax year(s), which is a period “ending on or after December 31.”

Section 11 of the proposed legislation repeals the I&D Tax effective December 31, 2024. But it has no applicability date.

The proposed legislation would not result in any additional administrative costs that could not be absorbed in the Department’s operating budget.

The fiscal impact of the proposed legislation cannot be estimated. Specifically, the Department cannot determine the fiscal impact in future years because it has no way of knowing the total I&D Tax liability with respect to any year, which is based on the number of taxpayers, and the taxpayers’ income and exemptions. The Department also cannot determine the effect of any credit carry forward amounts.

The Department in similar instances has provided an approximate estimate based on a previous tax year. However, as described below, such an estimate is impossible because the applicability dates contained in the proposed legislation do not correspond to any particular tax year(s).

The Department would be unable to administer this proposed legislation as written because various applicability dates do not correspond to any particular tax year(s), which is a period “ending on or after December 31.”

- Section 1 of the proposed legislation reduces the I&D Tax rate from 5 percent to 4 percent “for taxable periods ending January 1, 2020 through December 31, 2020.” As a result, it would apply to tax year 2019 for fiscal year taxpayers, and to tax year 2020 for calendar year taxpayers. Instead, the Department recommends the following applicability date: “for taxable periods ending on or after December 31, 2020.” This would ensure that the change impacts all taxpayers in the same tax year, namely, tax year 2020.
- Section 1 of the proposed legislation also contingently reduces the I&D Tax rate further “beginning with taxable periods ending January 1, 2021 and later.” As a result, it would apply to different tax years for fiscal year and calendar year taxpayers. Instead, the Department recommends the following applicability date: “for taxable periods ending on or after December 31, 2021.” This would ensure that the change impacts all taxpayers in the same tax year(s), namely, tax years 2021 through 2024 .
- Sections 2 and 3 of the proposed legislation doubles the I&D Tax filing threshold and exemptions, respectively, effective July 1, 2019. But there are no applicability dates. As a result, they would seem to initially apply to only a portion of tax year 2019 for calendar year taxpayers and some fiscal year taxpayers. Instead, the Department recommends the following applicability date: “for taxable periods ending on or after December 31,” whether 2019 or 2020. This would ensure that the change impacts all taxpayers in the same way, in the same tax year.
- Section 11 of the proposed legislation repeals the I&D Tax effective December 31, 2024. But there is no applicability date. As a result, it would seem to cut tax year 2024 short for fiscal year taxpayers. Instead, the Department recommends the following applicability date: “for taxable periods ending on or after December 31, 2024.” This would ensure that the change impacts all taxpayers in the same way.