

A Technical Information Release is designed to provide immediate information of changes in tax laws administered by the Department for the policy positions of the Department as a service to taxpayers and practitioners. A Technical Information Release represents the position of the Department on the limited issues discussed herein based on current law and Department interpretation. For the current status of any tax law, practitioners and taxpayers should consult the source documents (i.e., Revised Statutes Annotated, Rules, Case Law, Session Laws, etc.)

The purpose of this information release is to provide taxpayers with an overview of the changes in the taxes enacted under Chapter 17 of the Laws of 1999.

Chapter 17 of the Laws of 1999 On April 29, 1999, Governor Shaheen signed into law Chapter 17 of the Laws of 1999 enacting the solution to the Supreme Court's decision concerning the use of local property taxes to fund education. The legislation provides \$825 million to fund an adequate education utilizing a uniform state education property tax rate of \$6.60 per thousand of equalized valuation to raise over half of the adequacy amount. In addition, the legislation enacts a new utility property tax, repeals the nuclear station property tax, increases rates for business taxes, increases the rate of the real estate transfer tax, and expands the meals and rooms tax to include motor vehicle rentals.

Copies of the actual legislation may be obtained from:
Web: www.state.nh.us/gencourt/bills/99bills/hb0117.html
State Library: Reference Desk 271-2144.

STATE EDUCATION PROPERTY TAX

The state education property tax is effective April 1, 1999. The tax will be collected by municipalities, and the department has increased responsibility to assist and supervise appraisals and valuations.

The state education property tax will be included on the same bill with other property taxes administered at the local level. Municipalities with computer software allowing them to print four tax rates may do so this year. Municipalities that need computer software changes to be able to print four tax rates may combine the state education tax rate and the local education tax rate on the property tax bills for 1999 only. In order to facilitate the timely issuance of semi-annual tax bills, municipalities are authorized to use one half of last year's tax rate on its semi-annual bill.

Payment should be remitted to the local tax collector for the state portion of the property tax bill. Municipalities will be responsible for paying over to local and regional school districts the locally collected state property tax. Some municipalities will pay a portion of that amount to the state next March.

It is important to note that, for most property owners, this state education property tax replaces some part of the school property tax rate from last year. In addition, the increased state aid may further reduce the local education tax rate from last year's school property tax rate. For those municipalities that will see an increase as a result of the state education property tax, the increase will be phased in over the next five years.

For further information, please contact the Department's Municipal Services Division, 45 Chenell Drive, PO Box 487, Concord, NH 03302-0487 or by calling (603) 271-3397.

UTILITY PROPERTY TAX

The utility property tax is also effective on April 1, 1999. The tax rate is \$6.60 per \$1,000 of value of utility property. The tax will be administered by the department. On December 1 of each year the department will determine the value of utility property as of the previous April 1. Owners of utility property will submit returns on or before January 15 based on the values determined by the department. For the first tax year, three estimates will be due based upon the value of utility property used in the department's equalization report for April 1, 1998. The estimates will be due on July 1, 1999, September 15, 1999, and December 15, 1999. Each estimate for the first year shall be in the amount of one-third of the estimated tax.

The utility property tax applies to utility property as defined by RSA 83-F. Utility property is defined as "all real estate, buildings, and structures, machinery, dynamos, apparatus, poles, wires, fixtures of all kinds and descriptions, and pipe lines located within New Hampshire employed in the generation, production, supply, distribution, transmission, or transportation of electric power or natural gas, crude petroleum and refined petroleum products or combination thereof, water, or sewage, subject to tax under RSA 72:6, 72:7 and 72:8; provided that no electric power fixtures which would otherwise be taxed under this chapter shall be taxed under this chapter if they are employed solely as an emergency source of electric power." Water pollution control facilities as well as property which is otherwise exempt from local taxation are exempt from the utilities property tax. Telephone and cable television lines and poles are not included in the definition of utility property.

Property subject to the utility property tax is exempt from any state education property tax. This exemption does not include the municipal, county and school portion of property taxes based upon the local assessments. The exemption only applies to the state education property tax. For the first transition year, municipalities may assess all property on their tax rolls and then abate the state education property tax if assessed with respect to utility property.

With the enactment of the utility property tax, the nuclear station property tax is repealed. The repeal is effective April 1, 1999. Nuclear station property is now subject to the utility property tax.

The department intends to issue a more detailed information release concerning the utility property tax in the next several weeks. For further information, please contact the Department's Property Appraisal Division, 45 Chenell Drive, PO Box 457, Concord, NH 03302-0457 or by calling (603) 271-2687.

BUSINESS TAXES

Effective for all tax years ending on or after July 1, 1999, the business profits tax rate is increased from 7% to 8%, and the business enterprise tax rate is increased from 0.25 % to 0.5 %. The changes apply to the entire tax period and not just the months after June 30, 1999.

For taxpayers who elected a federal 52-53 week tax year under section 441 of the US Internal Revenue Code the fiscal year of which ends on the last day of the week nearest to June 30, 1999, the taxable period will be deemed to end on June 30, 1999 for purposes of this statutory rate increase.

For further information, please contact the Department's Document Processing Division, 45 Chenell Drive, PO Box 637, Concord, NH 03302-0637 or by calling (603) 271-2186.

REAL ESTATE TRANSFER TAX

Chapter 17 of the Laws of 1999 has increased the permanent tax rate assessed on the sale, granting, and transfer of real estate and any interest in real estate to \$.75 per \$100, or fractional part thereof, of the price or consideration. This rate is assessed on both the buyer and seller for a total tax rate of \$1.50 per \$100. Where the price or consideration is \$4,000 or less, there shall be a minimum tax of \$20 which is assessed on both the buyer and seller, for a total tax of \$40. The effective date of this tax rate change is for transfers occurring on or after July 1, 1999.

For further information, please contact the Department's Collection Division, 45 Chenell Drive, PO Box 454, Concord, NH 03302-0454 or by calling (603) 271-3701.

MOTOR VEHICLE RENTAL TAX

Chapter 17 of the Laws of 1999 has made a change to RSA 78-A, the meals and rooms tax statute. The rental of motor vehicles designed to transport persons or property on public highways will be subject to the 8% tax. An operator (one who receives gross rental receipts for the rental of motor vehicles) is required to register each place of business within the state and pay \$5 for each registration as required in RSA 78-A:4. Each operator who rents motor vehicles shall collect the tax, file returns and remit payment of the taxes due as required by RSA 78-A:8. Operators must be licensed prior to the effective date of this law which is July 1, 1999.

The department intends to issue a more detailed information release concerning the motor vehicle rental tax in the next several weeks. Further information and applications for the operator's license referenced above may be obtained by contacting the Department's Collection Division, 45 Chenell Drive, PO Box 454, Concord, NH 03302-0454 or by calling (603) 271-3701.