

**New Hampshire Department of Revenue Administration  
109 Pleasant Street, Concord, NH 03301**

**TECHNICAL INFORMATION RELEASE  
TIR 2010-001 Date: February 19, 2010**

A Technical Information Release is designed to provide immediate information regarding tax laws administered by the Department or 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.). Questions should be directed to Customer Service at (603) 271-2191.

**Interest and Dividends Tax, Reporting Compensation Deduction on DP-10**

Effective July 1, 2009, for tax periods ending on or after December 31, 2009, owners and interest-holders of partnerships, limited liability companies, and associations, the beneficial interest of which is not represented by transferable shares, are liable for Interest and Dividends Tax (I&D) on certain distributions made by their entities. See, NH Laws of 2009, Chapter 144, Sections 275 – 280. Further, partnerships, limited liability companies, and associations, which in the past paid I&D tax on interest and dividends received, may no longer be taxpayers for I&D purposes.

Individuals who receive a distribution from a partnership or from a limited liability company (LLC) must include that distribution on line two(2), page two(2), on the 2009 Interest and Dividends Tax Return (Form DP-10).

The Department, in 2009, when designing the Form DP-10, did not provide a line for reporting a compensation deduction on the form for individuals who perform services for their partnership or LLC.

The Department recognizes that a partner in a partnership or member of an LLC may provide personal services to their business and should be able to reduce the distribution received from their partnership or LLC by an amount of reasonable compensation pursuant to RSA 77-A:4,III , associated with the services provided.

In order to provide for the compensation deduction on the Form DP-10 a taxpayer should enter on page two(2), line four(4), the amount of reasonable compensation associated with the actual distribution or distributions reported on line two(2). In column I, enter reason code 11. In column II, enter the name of the payer. In column III, enter the payer's federal identification number, or if applicable, department identification number. In column IV, enter the amount of compensation associated with the actual distribution. In the space next to the non-taxable amount, write compensation. This reporting of the compensation deduction on line four(4) will effectively make the distribution received as compensation not taxable under RSA 77.

The 2010 DP-10 will provide a line for the reporting of the compensation deduction.