

New Hampshire Department of Revenue Administration

Fiscal Note Quick Guide

15-0132.1

HB 386-FN-A, *reducing the rate of the business profits tax*

House Way & Means Committee

This bill would reduce the Business Profits Tax (BPT) rate from 8.5% to 7%, effective July 1, 2015 and be applicable for returns and taxes due under RSA 77-A for taxable periods ending on or after July 1, 2015.

When deriving the estimated reduction in revenue due to a reduction of the BPT rate from 8.5% to 7%, the Department of Revenue Administration assumed that the BPT revenue estimate for FY2015 of \$340,500,000 would be the same for FY2016, FY2017, FY2018 and FY2019 and that there are no future changes made by the Legislature to the BPT or Business Enterprise Tax laws.

The Department also assumed taxpayers would adjust quarterly estimated tax payments to reflect a reduced tax liability for Tax Year 2015 (although statutorily in order to avoid penalty businesses are required to make estimated tax payments equal to a least 90% of Tax Year 2014's tax liability) and if taxpayers do not adjust their quarterly estimated tax payments for a reduced tax liability for Tax Year 2015, that refunds or credit carryovers will likely be requested when returns are filed in March and April of 2016.

The Department estimates that the reduction in the BPT tax rate from 8.5% to 7% will result in an estimated reduction of BPT revenue of \$60,088,235 for FY 2016 and forward

FY 2015 Revenue Estimates (Budget):

BPT: \$340,500,000

FY 2016 Estimated Tax Base:

BPT: $\$340,500,000 \div 8.5\% = \$4,055,882,353$

FY2016 Revised Revenue with New Tax Rate:

BPT: $\$4,055,882,353 \times 7\% = \$280,411,765$

Estimated Loss of BPT Revenue:

$\$340,500,000 - \$280,411,765 = \$60,088,235$

This bill would require the Department to update systems, instructions and forms to reflect the reduction in the BPT rates; however, this bill could be administered by the Department without any additional cost.