

New Hampshire Department of Revenue Administration

Fiscal Note Quick Guide

15-0782

HB 588-FN-A-LOCAL, *extending the Coos county job creation tax credit to Carroll county*

House Ways and Means Committee

This bill would add all businesses hiring within Carroll County to the Coos County Job Creation Tax Credit (CCJCTC). For each “qualified tax credit employee” hired, the business shall be allowed a tax credit against the Business Enterprise Tax (BET) in the amount of either \$750 or \$1,000 depending upon the percentage the employee’s wage is greater than current state minimum wage. This bill does not provide a limit on the number of tax credits that can be issued.

This is a tax credit against the BET, but it has the “cascading effect” of reducing the Business Profits Tax (BPT) only for businesses hiring new employees within these two counties. The “cascading effect” occurs wherein the credit used to offset any BET liability would be considered “taxes paid under RSA 77-E” and, thus, the exact same credit would, in effect, be used to offset any BPT liability as well. For example, if one \$1,000 credit was used against at least \$1,000 in BET and \$1,000 in BPT as well, the net effect would be the usage of \$2,000 in credit. As such, each proposed \$1,000 credit granted could cost the State of New Hampshire \$2,000 in business tax revenues. (100 credits granted could cost the State \$200,000; 500 credits could cost the State \$1,000,000; and 1,000 credits could cost the State \$2,000,000)

The CCJCTC has cost the State less than \$100,000 each fiscal year since implementation. However, there would be an indeterminable reduction of revenue due to expansion of this tax credit. The Department of Revenue Administration (DRA) cannot estimate the potential reduction of revenue because there is no limit on the number of tax credits that can be issued and because the DRA cannot predict how many businesses hiring people within Carroll County would take advantage of this program.

The DRA notes that the State minimum wage is \$7.25 per hour. 200% of that would be a wage of \$14.50 per hour. A job for 52 weeks at 37.5 hours per week would pay \$28,275. The BET tax on those wages would be \$212.06. This bill would give the employer a credit worth \$1,000 against BET and it could then be used to also cover \$1,000 in BPT liability.

The DRA also notes that the bill appears to classify taxpayers as opposed to classifying property received; legal precedent indicates that a constitutional challenge could be made. “Distinctions in tax treatment must rest upon reasonable classifications of property, not upon classifications of taxpayers owning a common class of property.” Opinion of Justices, 132 N.H. 777 (1990) citing Opinion of Justices, 115 N.H. 306 (1975).

This law could be administered by the DRA without any additional cost. The administrative burden of approving and certifying all the applications for the credit would be the responsibility of the Department of Resources and Economic Development (DRED).