New Hampshire Department of Revenue Administration

Fiscal Note Quick Guide

15-0748

SB 213-FN-A-LOCAL, *relative to the disposition of meals and rooms tax revenues to towns and cities*

Senate Ways and Means Committee

Under current law, 40% of Meals and Rooms (M&R) Tax net income is distributed to New Hampshire cities and towns based upon population. This bill proposes to distribute another 1% of M&R Tax net income from the General Fund to New Hampshire cities and towns based upon the taxes remitted by M&R operators on a city/town basis.

For purposes of a fiscal analysis, the Department of Revenue Administration assumed FY2014 M&R Tax revenues would be the same in FY2016.

> FY2014 M&R Tax Preliminary Accrual Revenue was $274,600,560
> (*$14,000,560 of M&R Tax revenues that will pay for School Building Aid Debt Service is included in this number*)
>
> Less Motor Vehicle Tax dedicated to the Education Trust Fund: $7,600,000
>
> Less Department Cost to Administer the M&R Tax: $1,913,742
>
> NET INCOME PER RSA 78-A:26, I: $265,086,818

The proposed 1% of $265,086,818 is $2,650,868. This amount would be taken from the General Fund to be distributed to cities and towns based upon taxes paid in each city and/or town. Thus, the bill would increase local revenues by $2,650,868 and at the same time reduce revenues allocated to the General Fund by the same amount.

Estimates have not been projected for any tax period beyond FY2017 as the Department does not know how much growth to anticipate at this time. However, similar decreases in General Fund tax revenues could be seen in subsequent fiscal years as well.

The Department notes that, as written, this bill cannot be administered for distributions to start for FY2016 because M&R operators would not have filed (during all of FY2015) in the newly prescribed manner in order to provide an accurate accounting of the actual location (city/town) from which the tax was generated.

In addition, this bill does not provide enough time for the Department to draft and implement new rules and forms, as well make the necessary system changes. Even on an expedited basis, that process may take several months.

The Department suggests language that makes clear the new distribution proposed in this bill will begin in FY2017. FY2015 is half over and, thus, the mandate for reporting the actual location of each business and the taxes collected in that location cannot properly take place until FY2016. Then, the 1% distribution could be made in the Fall of FY2017.

This bill may cause the Department to be in violation of RSA 21-J:14, Confidentiality of Department Records. No data can be revealed at the sub-state level unless there are at least 10 taxpayers for whom the data is being reported.

This bill could be administered by the Department without any additional cost that could not be absorbed within our estimated budget.