

HB 2-FN-A-L, relative to state fees, funds, revenues, and expenditures. **MAJORITY: OUGHT TO PASS WITH AMENDMENT. MINORITY: OUGHT TO PASS WITH AMENDMENT.**

Clerk's Note:

The Majority and Minority amendments for this bill will be available online as soon as possible and will be available in hard copy at the State House.

Rep. Marjorie K Smith for the **Majority** of Finance. This bill, referred to as the trailer bill, provides the statutory language necessary to make the budget work.

The governor had proposed changing the structure of the liquor commission so that it became an enterprise fund and had much more independence in making its business decisions. The committee was sympathetic to the purpose but did not agree that the commission had thought through the intended and unintended consequences of such a move. Therefore, the liquor commission expenditures and revenues which had been removed from the general fund were returned to the general fund. We did, however, take the advice of the consulting firm that worked with the governor's office to have the Liquor Commission focus on its core functions. As a result HB 2 moves liquor enforcement to the Department of Safety. The governor had included in HB 2 a complete restructuring of boards and commissions. The committee, after consulting with Executive Departments and Administration committee (ED&A), concluded that such a restructuring could indeed be beneficial but that such a change was a policy change and should not be made by the Finance committee. Therefore in HB 2 we establish a committee by which ED&A and Finance committee members could study the proposal and come back to the House in January with a recommendation.

With the support of the Ways and Means committee, the Finance committee agreed to the increase in the tobacco tax (generating \$57 million) and rooms and meals tax proposed by the governor. Reflecting house policy and supported by the Ways and Means and Public Works and Highways committees we included the road toll (gas tax) increase. These funds will go to a restricted account in the highway fund to be used exclusively for the construction, reconstruction and maintenance of state and municipal roads and bridges in the state. We estimate that for the biennium \$85 million will go to the state and \$30 million to local communities for 'betterment' and block grant aid for their roads and bridges from this increase.

The committee supported the governor's proposal of a gambling winnings tax (\$16 million), and supported the Ways and Means committee's proposal to freeze only for this biennium, the decrease in the insurance premium tax.

The committee added two new taxes. The first puts an 8% tax on estates larger than \$2 million (or \$4 million for a couple). This will affect only the wealthiest New Hampshire estates- barely 100 people per year. The estate tax will not affect 99% of the estates in New Hampshire. Every penny will be paid by individuals with at least \$2 million in assets or couples with \$4 million. It protects surviving spouses, because transfers between spouses are tax-free. For a couple with a \$5 million estate, the effective tax rate is less than 2%. There are important exceptions in the tax that protect family farms and small businesses. All charitable gifts are deductible.

The second important tax change in the budget is an expansion to our current Interest and Dividends tax. Today we have a 5% state tax on most forms of unearned income, including interest, dividends, and taxable annuities. This tax raised \$119 million last year. HB 2 helps small savers who currently pay the interest and dividends tax on modest bank accounts and stock holdings because it more than doubles the amount of interest and dividends income

that is not subject to tax, from the current \$2,400 to \$5,000 per person (or \$10,000 for a couple).

HB 2 extends this tax to include the largest source of unearned income: capital gains. Capital gains are the profits on the sale of assets like stocks, businesses, and real estate. Based on IRS data, more than 90% of this revenue will come from NH taxpayers who earn in excess of \$200,000 per year. The vast majority of taxpayers making less than \$60,000 would not pay this tax because their capital gains are below the threshold of \$5000 for a single person or \$10,000 for a couple. Capital gains on the sale of a primary residence are protected. There is a \$250,000 exemption (\$500,000 for a couple), and only gains above this amount are taxable.

HB 2 is now more than 50 pages long and this blurb highlights only the major changes. **Vote 14-9.**

Rep. Neal M Kurk for the **Minority** of Finance: The so-called "trailer bill" contains statutory changes necessary in order for the budget to work. The majority and minority agree on most of the changes to HB 2. However, in order to balance its budget, the majority imposed three new taxes, raised the rates on three existing taxes, and suspended a scheduled decrease in another tax to raise an additional \$259 million dollars. Without what the minority believes is the usual legislative process of committee and floor votes, these taxes included a new capital gains income tax rate of 5%, a new inheritance or "death" tax at a rate of 8%, and a new tax on gambling winnings at a rate of 10%. The majority would raise the rooms and meals to 8 3/4% and suspend a scheduled quarter point reduction in the insurance tax for the biennium. The majority is also raising, for the fourth time in five years, the cigarette tax by 35 cents to \$1.68 per pack. Raising taxes during a recession is just bad public policy. The minority balances its budget without any new or increased taxes. Taking millions of dollars out of the private sector inflicts further suffering on individuals who may have already lost their jobs, had their salaries and benefits reduced or face foreclosure on their homes. Individuals can't stimulate the economy with their spending because the state has more of their income, and they, in turn, have less to spend. Business, large and small, will see reduced cash flow, resulting in job cuts and delays in creating new jobs. We should not hurt individuals and businesses in a fragile economy. This is not the New Hampshire way, and the minority cannot support it.