

Bill as Introduced

SB 502-FN-A - AS INTRODUCED

2010 SESSION

10-2954

09/04

SENATE BILL

502-FN-A

AN ACT

requiring use of the federal tax treatment for deduction of costs of section 179 business property under the business profits tax.

SPONSORS:

Sen. Bragdon, Dist 11; Sen. Barnes, Jr., Dist 17; Sen. Bradley, Dist 3; Sen. Carson, Dist 14; Sen. Downing, Dist 22; Sen. Gallus, Dist 1; Sen. Letourneau, Dist 19; Sen. Roberge, Dist 9

COMMITTEE:

Ways and Means

ANALYSIS

This bill requires use of the federal tax treatment for deduction of costs of section 179 business property under the business profits tax.

Explanation:

Matter added to current law appears in ***bold italics***.

Matter removed from current law appears [~~in brackets and struckthrough.~~]

Matter which is either (a) all new or (b) repealed and reenacted appears in regular type.

SB 502-FN-A - AS INTRODUCED

10-2954
09/04

STATE OF NEW HAMPSHIRE

In the Year of Our Lord Two Thousand Ten

AN ACT requiring use of the federal tax treatment for deduction of costs of section 179 business property under the business profits tax.

Be it Enacted by the Senate and House of Representatives in General Court convened:

1 1 New Paragraph; Business Profits Tax; Reasonable Compensation Deduction. Amend
2 RSA 77-A:4 by inserting after paragraph XVIII the following new paragraph:

3 XIX. In the case of a business organization which treats the cost of any section 179
4 property, as that term is defined in 26 U.S.C. section 179, as an expense not chargeable to
5 capital account in accordance with the provisions of 26 U.S.C. section 179 as such section is in
6 effect for the tax period, the gross business profits of the organization shall be adjusted by:

7 (a) Adding to gross business profits the amount of such cost that would be deducted
8 with respect to such section 179 property under the United States Internal Revenue Code as
9 defined in RSA 77-A:1, XX in arriving at federal taxable income; and

10 (b) Deducting from gross business profits the amount allowable as a deduction
11 under 26 U.S.C. section 179 as such section is in effect for the tax period.

12 2 Applicability. Section 1 of this act shall apply to taxable periods beginning on or after
13 January 1, 2010.

14 3 Effective Date. This act shall take effect upon its passage.

LBAO
10-2954
02/08/10

SB 502-FN-A - FISCAL NOTE

AN ACT requiring use of the federal tax treatment for deduction of costs of section 179
business property under the business profits tax.

FISCAL IMPACT:

Due to time constraints, the Office of Legislative Budget Assistant is unable to provide a fiscal note for this bill at this time. When completed, the fiscal note will be forwarded to the Senate Clerk's Office.

SB 502 FISCAL NOTE

AN ACT requiring use of the federal tax treatment for deduction of costs of section 179 business property under the business profits tax.

FISCAL IMPACT:

The Department of Revenue Administration states this bill will decrease state general fund and education trust fund revenue in by an indeterminable amount in FY 2010 and each fiscal year thereafter, and increase state expenditures by an indeterminable amount in FY 2010. This bill will have no fiscal impact on county and local revenue or expenditures.

METHODOLOGY:

The Department of Revenue Administration states this bill requires use of the federal tax treatment for deduction of costs of section 179 business property under the business profits tax (BPT). The Department states current New Hampshire tax code has adopted the Internal Revenue Code that was in effect for December 31, 2000. As such, taxpayers must make adjustment to the New Hampshire taxable BPT based upon non-recognition of certain expenses allowed by the IRS (federally), but not adopted by the state. It is assumed that this bill would allow some of these section 179 expenses to also be recognized on New Hampshire BPT returns. The Department, however, cannot estimate the reduction to New Hampshire BPT revenue because the data on the federal return is not captured in sufficient detail. The Department further states that since the effective date of the bill will apply to taxable periods beginning on or after January 1, 2010, an immediate impact may be realized due to possible reductions in estimated tax payments. The Department also indicates state expenditures will increase in FY 2010 for additional costs to change tax forms and for computer programming expenses. Since this tax provision impacts BPT, a portion of the revenue decrease would impact state general fund and education trust fund revenue.

Committee Minutes

**AMENDED
SENATE CALENDAR NOTICE
WAYS AND MEANS**

Printed: 02/24/2010 at 2:28 pm

- ✓ Senator Bob Odell Chairman
- ✓ Senator Lou D'Allesandro V Chairman
- ✓ Senator Harold Janeway
- ✓ Senator Deborah Reynolds
- Senator Peggy Gilmour
- ✓ Senator Michael Downing
- ✓ Senator Jeb Bradley

For Use by Senate Clerk's Office ONLY	
<input type="checkbox"/> Bill Status	
<input type="checkbox"/> Docket	
<input type="checkbox"/> Calendar	
Proof: <input type="checkbox"/> Calendar	<input type="checkbox"/> Bill Status

Date: February 24, 2010

HEARINGS

Wednesday

3/3/2010

WAYS AND MEANS

SH 100

1:00 PM

(Name of Committee)

(Place)

(Time)

EXECUTIVE SESSION MAY FOLLOW

Comments: 1:00 OR IMMEDIATELY FOLLOWING SESSION.
THE PURPOSE OF THIS AMENDED NOTICE IS TO ADD SB 483-FN-A WHICH WAS RECESSED ON 2/2/10

- | | | |
|-----------------|------------|---|
| 1:00 PM | SB497-FN-A | changing the business profits tax deduction for reasonable compensation for partnerships, limited liability companies, and sole proprietorships and modifying the interest and dividends tax statute to follow the definitions of interest and dividends used in the United States Internal Revenue Code. |
| 5:30
1:15 PM | SB502-FN-A | requiring use of the federal tax treatment for deduction of costs of section 179 business property under the business profits tax. |
| 1:30 PM | SB483-FN-A | relative to the interpretation of Internal Revenue Code section 1031 as it relates to taxation under the business profits tax. |

Sponsors:

SB497-FN-A

Sen. Lou D'Allesandro
Rep. David Campbell

Sen. Bob Odell
Rep. W. Douglas Scamman

Sen. Michael Downing

Sen. John Gallus

SB502-FN-A

✓ Sen. Peter Bragdon
Sen. Michael Downing

Sen. John Barnes, Jr.
Sen. John Gallus

Sen. Jeb Bradley
Sen. Robert Letourneau

Sen. Sharon Carson
Sen. Sheila Roberge

SB483-FN-A

Sen. Lou D'Allesandro
Sen. Peggy Gilmour

Sen. John Gallus
Rep. Andrew Peterson

Sen. Deborah Reynolds

Rep. W. Douglas Scamman

Gail Brown 271-3076

Sen. Bob Odell

Chairman

Ways & Means Committee

Hearing Report

TO: Members of the Senate

FROM: Sonja Caldwell, *Legislative Aide*

RE: Hearing report on **SB 502-FN-A** – *requiring use of the federal tax treatment for deduction of costs of section 179 business property under the business profits tax.*

HEARING DATE: March 3, 2010

MEMBERS OF THE COMMITTEE PRESENT: Senator Odell, Senator D'Allesandro, Senator Janeway, Senator Reynolds, Senator Downing, Senator Bradley

MEMBERS OF THE COMMITTEE ABSENT: Senator Gilmour

Sponsor(s): Sen. Bragdon, Dist 11; Sen. Barnes, Jr., Dist 17; Sen. Bradley, Dist 3; Sen. Carson, Dist 14; Sen. Downing, Dist 22; Sen. Gallus, Dist 1; Sen. Letourneau, Dist 19; Sen. Roberge, Dist 9

What the bill does: This bill requires use of the federal tax treatment for deduction of costs of section 179 business property under the business profits tax.

Who supports the bill: Sen. Bragdon, Sen. Letourneau, Matt Murphy (NH Real Estate Investors)

Who opposes the bill: No one signed in opposition

Summary of testimony received:

Senator Bragdon

This bill is a result of discussions with business people about our state's tax policy and how to help stimulate economic development and job creation. The bill provides for accelerated depreciation of capital and equipment investments by companies, particularly the so-called section 179 deduction, named after its section in the IRS code.

Accelerated depreciation is especially important during these challenging economic times. We want companies to invest in new equipment and facilities to promote both direct and indirect job growth. Accelerated depreciation methods not only encourage companies to purchase equipment sooner rather than later, the methods also serve to leave a little more cash in the company's checking account in the short term – also an important point in a down economy.

In the long run, a company will pay just as much tax with or without accelerated depreciation methods. The difference is that the payment is deferred a bit, as the depreciation deductions are accelerated. Additionally, the benefits of accelerated depreciation allowance help to spur economic development, resulting in higher tax receipts.

SB502 ties the allowance for New Hampshire in with the allowance for Federal taxes. The current section 179 deduction allowed in NH is \$20,000, which is what it was in 2000. In recognition of the current economic situation, the 2010 federal allowance is \$134,000 and will then fall back to its normal level of \$25,000 for 2011.

Senator D'Allesandro asked how this would impact us fiscally.

Mindy Cyr from the Department of Revenue Administration said they have no position on policy of bill and aren't able to capture the info right now.

Senator Bradley said it's unlikely to cost the state as much as the previous bill and it's an opportunity for people to make equipment investments.

Senator D'Allesandro said he thought it was very open ended.

2/23

Date: March 3, 2010
Time: 5:30 p.m.
Room: State House Room 100

The Senate Committee on Ways and Means held a hearing on the following:

SB 502-FN-A requiring use of the federal tax treatment for deduction of costs of section 179 business property under the business profits tax.

Members of Committee present: Senator Odell
Senator D'Allesandro
Senator Janeway
Senator Reynolds
Senator Downing
Senator Bradley

The Chair, Senator Bob Odell, opened the hearing on SB 502-FN-A and invited the prime sponsor, Senator Bragdon, to speak to the legislation.

Senator Peter E. Bragdon, D. 11: Thank you, Mr. Chairman, Mr. Vice-Chairman, members of the Committee. For the record, Senator Bragdon, District 11, here to introduce SB 502. Like SB 496, which I introduced yesterday and apparently you didn't exec on, SB 502 comes as a result of discussions with business people about what can be done with our state tax policy to help stimulate economic development and job creation.

SB 502 essentially provides for accelerated appreciation of capital and equipment investments by companies, particularly the so-called Section 179 deduction named after a section of the IRS Code. Accelerated appreciation is especially important in these challenging economic times. We want companies to invest in new equipment and facilities, both direct and indirect job growth. Accelerated appreciation method will not only encourage companies to purchase equipment sooner rather than later, it will also serve to have a little cash in somebody's checking account in the short term, also an important point in a declining climate. In the long run, the company will pay just as much tax, with or without the accelerated appreciation methods. The difference is (inaudible) ... as an appreciable deductions are accelerated.

JEB

Additionally, the benefits of accelerated appreciation allowance helps for economic development, resulting in higher tax receipts.

SB 502 ties for the allowance for New Hampshire in with the allowance for federal taxes. The current Section 179 deduction allows New Hampshire \$20,000 which is what it was in 2000. In recognition of the current economic situation, the 2010 federal allowance is \$134,000 and will then fall back to its normal of \$25,000 for 2011. So, for 2010, the federal waive is pretty high, again recognizing the need to invest in capital improvements and buildings to promote economic development.

With that, I will close my testimony.

Senator Lou D'Allesandro, D. 20: Thank you, Senator Bragdon. Any questions for Senator Bragdon? Do we have any idea how this would impact us? Your first fiscal note says look at the second one. The second one says indeterminable. Where do we understand with regard to this?

Attorney Melinda Cyr: Unfortunately, Senator, it was John Lange who was to come and speak to that this afternoon and then you got delayed and he is not available now. Other than the response that we put forward in the fiscal note, that's all I can get at this time. ...(inaudible)...

Senator Lou D'Allesandro, D. 20: You say the Department also indicates state expenditures will increase in fiscal year 2010 for additional costs to change tax forms and for computer programming expenses.

Attorney Cyr: I thin that the bulk of what is happening is that right now we are unable to do it.

Senator Lou D'Allesandro, D. 20: Any other questions? Thanks, Senator Bragdon, for your patience.

Senator Peter E. Bragdon, D. 11: Thank you.

Senator Lou D'Allesandro, D. 20: The federal appreciation is is...(inaudible) gross receipts goes for a time to 130 and then back to.

Jeb E. Bradley, D. 3: My understanding is that Congress has reauthorized \$100,000 limit for several years. That was something that happened when I was there. It was very effective. Has enjoyed bi-partisan support in Washington. Unlike the previous bill, unlikely to cost the state anywhere near as much. I would hope that, given the opportunities, that this bill represents for people to be able to make investments in equipment upgrades,

whatever, that we would move forward with the bill and recommend an ought to pass and hope that John can provide more data by the time it gets to its second stop on the magical circus ride.

Senator Lou D'Allesandro, D. 20: Looking at both the first fiscal note and the second fiscal note. Senator Bragdon said appreciate for a year and then it was back to where it was. ...(inaudible)...

Senator Deborah R. Reynolds, D. 2: Are you in exec session on this bill?

Senator Lou D'Allesandro, D. 20: No, public hearing. Ed Murphy from the Realtors Association signed in favor of the bill, but does not wish to speak. Senator Letourneau supports it, but does not wish to speak.

Senator Harold Janeway, D. 7: ...(inaudible)...

Senator Lou D'Allesandro, D. 20: Further discussion on that.

Senator Bob Odell, D. 8: Okay.

Senator Lou D'Allesandro, D. 20: This is very open-ended.

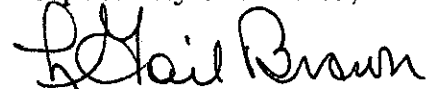
Senator Bob Odell, D. 8: Right. But, we didn't have any opposition. We didn't have anybody speaking in favor of.

Senator Harold Janeway, D. 7: ...(inaudible)...

Senator Bob Odell, D. 8: So, and you know, unless we want to come back and meet tomorrow, we need to take action on it. If you want, we can do the other public hearings and come back to this. So, I will go ahead and close the public hearing on SB 502.

Hearing concluded at 5:40 p.m.

Respectfully submitted,



L. Gail Brown

Senate Secretarial Supervisor

7/6/10

Speakers

Senate Ways and Means Committee: Sign-In Sheet

Date: 3/3/10

Time: 1:15 p.m. Public Hearing on SB 502-FN-A

SB 502-FN-A

requiring use of the federal tax treatment for deduction of costs of section 179
business property under the business profits tax.

Name	Representing	Support	Oppose	Speaking?	Yes	No
Sen Letourneau	D.19	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Speaking?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Matt Murphy	NH REALEstate Investors	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Speaking?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
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Voting Sheets

Senate Ways & Means Committee

EXECUTIVE SESSION

Bill # SB502-FN-A

Hearing date: 3/3/10

Executive session date: 3/3/10

ITL

Motion of: OTP

VOTE: 3-3

Made by Odell
Senator: D'Allesandro
 Gilmour
 Janeway
 Reynolds
 Bradley
 Downing

Seconded Odell
by Senator: D'Allesandro
 Gilmour
 Janeway
 Reynolds
 Bradley
 Downing

Reported Odell
by Senator: D'Allesandro
 Gilmour
 Janeway
 Reynolds
 Bradley
 Downing

Motion of: _____

VOTE: _____

Made by Odell
Senator: D'Allesandro
 Gilmour
 Janeway
 Reynolds
 Bradley
 Downing

Seconded Odell
by Senator: D'Allesandro
 Gilmour
 Janeway
 Reynolds
 Bradley
 Downing

Reported Odell
by Senator: D'Allesandro
 Gilmour
 Janeway
 Reynolds
 Bradley
 Downing

<u>Committee Member</u>	<u>Present</u>	<u>Yes</u>	<u>No</u>	<u>Reported out by</u>
Senator Odell, Chairman	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Senator D'Allesandro, Vice-Chair	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Senator Gilmour	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Senator Janeway	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Senator Reynolds	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Senator Bradley	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Senator Downing	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

*Amendments: _____

Notes: _____

Committee Report

STATE OF NEW HAMPSHIRE
SENATE
REPORT OF THE COMMITTEE

Date: March 4, 2010

THE COMMITTEE ON Ways and Means

to which was referred Senate Bill 502-FN-A

AN ACT requiring use of the federal tax treatment for deduction of
costs of section 179 business property under the business
profits tax.

Having considered the same, the committee recommends that the Bill:

IS INEXPEDIENT TO LEGISLATE

BY A VOTE OF: 3-3

AMENDMENT # s

Senator Harold Janeway
For the Committee

L. Gail Brown 271-3076

New Hampshire General Court - Bill Status System

Docket of SB502

Docket Abbreviations

Bill Title: requiring use of the federal tax treatment for deduction of costs of section 179 business property under the business profits tax.

Official Docket of SB502:

Date	Body	Description
02/10/2010	S	Introduced and Referred to Ways & Means, SJ 6 , Pg. 80
02/24/2010	S	Hearing: March 3, 2010, Room 100, State House, 1:15 p.m. or immediately following session; SC9
03/04/2010	S	Committee Report: Inexpedient to Legislate 3/10/10; SC10
03/10/2010	S	Inexpedient to Legislate, RC 14Y-10N, MA, === BILL KILLED === SJ 9 , Pg.150

NH House

NH Senate

Contact Us

*New Hampshire General Court Information Systems
107 North Main Street - State House Room 31, Concord NH 03301*

Other Referrals

COMMITTEE REPORT FILE INVENTORY

SB502 ORIGINAL REFERRAL

_____ RE-REFERRAL

1. THIS INVENTORY IS TO BE SIGNED AND DATED BY THE COMMITTEE SECRETARY AND PLACED INSIDE THE FOLDER AS THE FIRST ITEM IN THE COMMITTEE FILE.
2. PLACE ALL DOCUMENTS IN THE FOLDER FOLLOWING THE INVENTORY IN THE ORDER LISTED.
3. THE DOCUMENTS WHICH HAVE AN "X" BESIDE THEM ARE CONFIRMED AS BEING IN THE FOLDER.
4. THE COMPLETED FILE IS THEN DELIVERED TO THE CALENDAR CLERK.

DOCKET (Submit only the latest docket found in Bill Status)

COMMITTEE REPORT

CALENDAR NOTICE on which you have taken attendance

HEARING REPORT (written summary of hearing testimony)

HEARING TRANSCRIPT (verbatim transcript of hearing)

List attachments (testimony and submissions which are part of the transcript) by number [1 thru 4 or 1, 2, 3, 4] here: _____

SIGN-UP SHEET

ALL AMENDMENTS (passed or not) CONSIDERED BY COMMITTEE:

_____ - AMENDMENT # _____ _____ - AMENDMENT # _____
_____ - AMENDMENT # _____ _____ - AMENDMENT # _____

ALL AVAILABLE VERSIONS OF THE BILL:

AS INTRODUCED _____ AS AMENDED BY THE HOUSE
 FINAL VERSION _____ AS AMENDED BY THE SENATE

PREPARED TESTIMONY AND OTHER SUBMISSIONS (Which are not part of the transcript)

List by letter [a thru g or a, b, c, d] here: _____

EXECUTIVE SESSION REPORT

OTHER (Anything else deemed important but not listed above, such as amended fiscal notes):

revised fiscal note

IF YOU HAVE A RE-REFERRED BILL, YOU ARE GOING TO MAKE UP A DUPLICATE FILE FOLDER

DATE DELIVERED TO SENATE CLERK

8/16/10

D. Hail Brown

COMMITTEE SECRETARY