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# Committee Report

**REGULAR CALENDAR**

**January 29, 2019**

**HOUSE OF REPRESENTATIVES**

**REPORT OF COMMITTEE**

The Majority of the Committee on Ways and Means to which was referred HB 185-FN-A-LOCAL,

AN ACT relative to contingently reducing the rate of the interest and dividends tax and repealing the tax in 5 years. Having considered the same, report the same with the following resolution: **RESOLVED**, that it is **INEXPEDIENT TO LEGISLATE**.

**Rep. Jerry Stringham**

**FOR THE MAJORITY OF THE COMMITTEE**

**MAJORITY  
COMMITTEE REPORT**

Committee:	Ways and Means
Bill Number:	HB 185-FN-A-LOCAL
Title:	relative to contingently reducing the rate of the interest and dividends tax and repealing the tax in 5 years.
Date:	January 29, 2019
Consent Calendar:	REGULAR
Recommendation:	INEXPEDIENT TO LEGISLATE

**STATEMENT OF INTENT**

This bill increases exemptions for interest and dividend (I&D) tax and repeals the tax in its entirety over 5 years. The majority concluded that the bill provides no offsetting revenue sources to fund government with the phased in reductions to the I&D tax, a major source of state revenue. The total financial impact is substantial with only limited and inadequate contingencies. The Department of Revenue Administration indicated that they could not determine the total cost of the bill as applicability dates in the bill were not specified.

Vote 11-8.

Rep. Jerry Stringham  
FOR THE MAJORITY

Original: House Clerk  
Cc: Committee Bill File

## REGULAR CALENDAR

### Ways and Means

**HB 185-FN-A-LOCAL**, relative to contingently reducing the rate of the interest and dividends tax and repealing the tax in 5 years. **MAJORITY: INEXPEDIENT TO LEGISLATE. MINORITY: OUGHT TO PASS WITH AMENDMENT.**

Rep. Jerry Stringham for the **Majority** of Ways and Means. This bill increases exemptions for interest and dividend (I&D) tax and repeals the tax in its entirety over 5 years. The majority concluded that the bill provides no offsetting revenue sources to fund government with the phased in reductions to the I&D tax, a major source of state revenue. The total financial impact is substantial with only limited and inadequate contingencies. The Department of Revenue Administration indicated that they could not determine the total cost of the bill as applicability dates in the bill were not specified. **Vote 11-8.**

# COMMITTEE REPORT

COMMITTEE: Ways & Means

BILL NUMBER: 185-FW-A-Local

TITLE: Relative to Contingently reducing the rate of the interest and dividends tax and repealing the tax

DATE: 1/29/2018 CONSENT CALENDAR: YES  NO  in 5 years

- OUGHT TO PASS
- OUGHT TO PASS W/ AMENDMENT
- INEXPEDIENT TO LEGISLATE
- INTERIM STUDY (Available only 2<sup>nd</sup> year of biennium)

Amendment No.  
\_\_\_\_\_

## STATEMENT OF INTENT:

Representative Stringham for Ways and Means. This bill increases

Representative Jerry Stringham for Ways and Means. This bill increases exemptions for interest and dividend tax and repeals the tax in its entirety over 5 years. The majority concluded that the bill provides no offsetting revenue sources to fund government with the phased in reductions to the I&D tax, a major source of state revenue. The total financial impact is substantial with only limited and inadequate contingencies. The Department of Revenue Administration indicated that they could not determine the total cost of the bill as applicability dates in the bill were not specified.

Foundation indicates that NH has the lowest interest and dividend tax among NE states. The DRA indicated that they could not determine the total cost of the bill as applicability dates in the bill were not specified.

COMMITTEE VOTE: 11-8 ITL

RESPECTFULLY SUBMITTED,

- Copy to Committee Bill File
- Use Another Report for Minority Report

Rep. Jerry Stringham  
For the Committee

**REGULAR CALENDAR**

**January 29, 2019**

**HOUSE OF REPRESENTATIVES**

**REPORT OF COMMITTEE**

**The Minority of the Committee on Ways and Means to which was referred HB 185-FN-A-LOCAL,**

**AN ACT relative to contingently reducing the rate of the interest and dividends tax and repealing the tax in 5 years. Having considered the same, and being unable to agree with the Majority, report with the following amendment, and the recommendation that the bill OUGHT TO PASS WITH AMENDMENT.**

**Rep. Alan Bershtein**

**FOR THE MINORITY OF THE COMMITTEE**

**MINORITY  
COMMITTEE REPORT**

Committee:	Ways and Means
Bill Number:	HB 185-FN-A-LOCAL
Title:	relative to contingently reducing the rate of the interest and dividends tax and repealing the tax in 5 years.
Date:	January 29, 2019
Consent Calendar:	REGULAR
Recommendation:	OUGHT TO PASS WITH AMENDMENT 2019-0002h

**STATEMENT OF INTENT**

Passage of this bill would assist seniors and disabled people who may rely on interest and dividend income to meet their monthly obligations. Elimination of the interest and dividend tax encourages the business community and high wealth individuals to remain in or relocate to NH. The bill provides for a responsible method of phasing out the tax, provided that predefined revenue targets are attained.

Rep. Alan Bershtein  
FOR THE MINORITY

Original: House Clerk  
Cc: Committee Bill File

## REGULAR CALENDAR

### Ways and Means

**HB 185-FN-A-LOCAL**, relative to contingently reducing the rate of the interest and dividends tax and repealing the tax in 5 years. **OUGHT TO PASS WITH AMENDMENT.**

Rep. Alan Bershtein for the **Minority** of Ways and Means. Passage of this bill would assist seniors and disabled people who may rely on interest and dividend income to meet their monthly obligations. Elimination of the interest and dividend tax encourages the business community and high wealth individuals to remain in or relocate to NH. The bill provides for a responsible method of phasing out the tax, provided that predefined revenue targets are attained.



MINORITY REPORT

COMMITTEE: Ways + Means

BILL NUMBER: 105-FN-A-Local

TITLE: Reducing rate of the interest + dividend tax + repealing tax in 5 years

DATE: 1/29/2019 CONSENT CALENDAR: YES  NO

OUGHT TO PASS

OUGHT TO PASS W/ AMENDMENT

INEXPEDIENT TO LEGISLATE

INTERIM STUDY (Available only 2<sup>nd</sup> year of biennium)

Amendment No.  
2019-0002H

STATEMENT OF INTENT:

PASSAGE OF THIS BILL WOULD ASSIST SENIORS AND DISABLED PEOPLE WHO MAY RELY ON I+D INCOME TO MEET THEIR MONTHLY OBLIGATIONS

ELIMINATION OF THE I+D TAX ENCOURAGES THE BUSINESS COMMUNITY AND HIGH-WEALTH INDIVIDUALS TO REMAIN IN OR RELOCATE TO NH.

THE BILL PROVIDES FOR A RESPONSIBLE METHOD OF PHASING OUT THE TAX, PROVIDED THAT PREDEFINED REVENUE TARGETS ARE ATTAINED.

COMMITTEE VOTE: 11-8

• Copy to Committee Bill File

RESPECTFULLY SUBMITTED,

Rep. [Signature]  
For the Minority

SWA-OK

Rock 2

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# Voting Sheets

HOUSE COMMITTEE ON WAYS AND MEANS

EXECUTIVE SESSION on HB 185-FN-A-LOCAL

**BILL TITLE:** relative to contingently reducing the rate of the interest and dividends tax and repealing the tax in 5 years.

**DATE:** March 29, 2019

**LOB ROOM:** 202

**MOTIONS:** INEXPEDIENT TO LEGISLATE

Moved by Rep. Stringham


Seconded by Rep. Southworth

Vote: 11-8

CONSENT CALENDAR: NO

**Statement of Intent:** Refer to Committee Report

Respectfully submitted,

  
Rep Dennis Malloy, Clerk

HOUSE COMMITTEE ON WAYS AND MEANS

EXECUTIVE SESSION on HB 185-FN-A-LOCAL

BILL TITLE: relative to contingently reducing the rate of the interest and dividends tax and repealing the tax in 5 years.

DATE: 1/29/2019

LOB ROOM: 202

MOTION: (Please check one box)

- OTP
- ITL
- Retain (1st year)
- Adoption of Amendment # \_\_\_\_\_
- Interim Study (2nd year) (if offered)

Moved by Rep. Shingham Seconded by Rep. Southworth Vote: 11-8

MOTION: (Please check one box)

- OTP
- OTP/A
- ITL
- Retain (1st year)
- Adoption of Amendment # \_\_\_\_\_
- Interim Study (2nd year) (if offered)

Moved by Rep. \_\_\_\_\_ Seconded by Rep. \_\_\_\_\_ Vote: \_\_\_\_\_

MOTION: (Please check one box)

- OTP
- OTP/A
- ITL
- Retain (1st year)
- Adoption of Amendment # \_\_\_\_\_
- Interim Study (2nd year) (if offered)

Moved by Rep. \_\_\_\_\_ Seconded by Rep. \_\_\_\_\_ Vote: \_\_\_\_\_

MOTION: (Please check one box)

- OTP
- OTP/A
- ITL
- Retain (1st year)
- Adoption of Amendment # \_\_\_\_\_
- Interim Study (2nd year) (if offered)

Moved by Rep. \_\_\_\_\_ Seconded by Rep. \_\_\_\_\_ Vote: \_\_\_\_\_

CONSENT CALENDAR: \_\_\_\_\_ YES  NO

Minority Report?  Yes \_\_\_\_\_ No If yes, author, Rep: Bernstein Motion \_\_\_\_\_

Respectfully submitted: Dennis Malloy  
Rep Dennis Malloy, Clerk



2019 SESSION

Ways and Means

Bill #: 185 Motion: ITL AM #: \_\_\_\_\_ Exec Session Date: 1/29/2019

<u>Members</u>	<u>YEAS</u>	<u>Nays</u>	<u>NV</u>
Almy, Susan W. Chairman	11		
Ames, Richard Vice Chairman	1		
Karrick, David B.	2		
Southworth, Thomas L.	3		
Malloy, Dennis J. Clerk	4		
Schamberg, Thomas C.	5		
Tucker, Edith M.			X
Bunker, Lisa H.	6		
Gomarolo, Jennie R.	7		
Griffith, Willis T.	8		
Loughman, Tom J.	9		
Stringham, Jerry M.	10		
Major, Norman L. <u>ABRAMI</u>	<del>1</del>	1	
Griffin, Mary E.		2	
Ulery, Jordan G.		3	
Abrami, Patrick F. <u>HILL</u>		4	
Burns, Charles C.S.		5	
Doucette, Fred G.		6	
Edwards, Jess C.		7	
Bershtein, Alan		8	
<b>TOTAL VOTE:</b>	11	8	

# Hearing Minutes



HOUSE COMMITTEE ON WAYS AND MEANS

PUBLIC HEARING ON HB 185-FN-A-LOCAL

BILL TITLE: relative to contingently reducing the rate of the interest and dividends tax and repealing the tax in 5 years.

DATE: 1/16/2019

ROOM: 202

Time Public Hearing Called to Order: 11:17

Time Adjourned: 11:38

~~John~~

(please circle if present)

Loughman not here

Committee Members: Reps. Almy, Ames, Malloy, Karrick, Southworth, Schamberg, Tucker, Bunker, Gomarlo, Griffith, Loughman, Stringham, Major, M. Griffin, Ulery, Abrami, Burns, Doucette, Edwards and Bershten

Bill Sponsors:

Rep. Weyler  
Sen. Birdsell

Rep. L. Ober

Rep. Torosian

TESTIMONY

\* Use asterisk if written testimony and/or amendments are submitted.

Rep Tucker introduced Bill - 185-FN-A-local

Dan McGuire grants state tax pass - in favor interest + Dividends tax is a tax on savings -

and discourages savings + encourages consumption

Rep Weyler - prime sponsor - will propose an amendment that we will look at during Exec. will get us info next week

savings  
100K at

Rep Major - what kind of "funny" do you foresee?

Rep Weyler - judgment of committee

Rep Schamberg - # of people + cos. this would affect? -

Rep Weyler - "in the thousands"

Carl Wikstern - Exeter - in favor of Bill. This tax is disproportionately levied on retired savers + an unfair tax -



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# Testimony



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# **Fiscal Note**

# New Hampshire Department of Revenue Administration

## Fiscal Note Quick Guide

19-0150

**HB 185**, *relative to contingently reducing the rate of the interest and dividends tax and repealing the tax in 5 years.*

House Ways & Means

Section 1 of the proposed legislation reduces the rate of the Interest and Dividends (“I&D”) Tax, RSA 77, from 5 percent to 4 percent “for taxable periods ending January 1, 2020 through December 31, 2020.” It contingently reduces the tax rate further “beginning with taxable periods ending January 1, 2021 and later,” until December 31, 2024.

The I&D Tax rates applicable “beginning with taxable periods ending January 1, 2021 and later,” until December 31, 2024, are contingent upon whether the combined unrestricted general and education trust fund revenues collected for the most recently completed fiscal year is equal to or greater than the corresponding amount specified in the state operating budget for that year. Each year that the legislative budget assistant finds that such revenues were equal to or greater than the corresponding amount specified in the state operating budget, the proposed legislation reduces the tax rate applicable to “the subsequent January 1 through December 31 period” by one percent.

Section 2 of the proposed legislation doubles the I&D Tax filing threshold from \$2,400 to \$4,800. But it has no applicability date.

Section 3 of the proposed legislation doubles the exemptions from the I&D Tax. It increases the income exemption from \$2,400 to \$4,800, and the 65 years of age or older, blind, and disabled exemptions from \$1,200 to \$2,400. But it has no applicability date.

Sections 1 through 3 of the proposed legislation take effect July 1, 2019. However, the various applicability dates do not correspond to any particular tax year(s), which is a period “ending on or after December 31.”

Section 11 of the proposed legislation repeals the I&D Tax effective December 31, 2024. But it has no applicability date.

The proposed legislation would not result in any additional administrative costs that could not be absorbed in the Department’s operating budget.

The fiscal impact of the proposed legislation cannot be estimated. Specifically, the Department cannot determine the fiscal impact in future years because it has no way of knowing the total I&D Tax liability with respect to any year, which is based on the number of taxpayers, and the taxpayers’ income and exemptions. The Department also cannot determine the effect of any credit carry forward amounts.

The Department in similar instances has provided an approximate estimate based on a previous tax year. However, as described below, such an estimate is impossible because the applicability dates contained in the proposed legislation do not correspond to any particular tax year(s).

The Department would be unable to administer this proposed legislation as written because various applicability dates do not correspond to any particular tax year(s), which is a period “ending on or after December 31.”

- Section 1 of the proposed legislation reduces the I&D Tax rate from 5 percent to 4 percent “for taxable periods ending January 1, 2020 through December 31, 2020.” As a result, it would apply to tax year 2019 for fiscal year taxpayers, and to tax year 2020 for calendar year taxpayers. Instead, the Department recommends the following applicability date: “for taxable periods ending on or after December 31, 2020.” This would ensure that the change impacts all taxpayers in the same tax year, namely, tax year 2020.
- Section 1 of the proposed legislation also contingently reduces the I&D Tax rate further “beginning with taxable periods ending January 1, 2021 and later.” As a result, it would apply to different tax years for fiscal year and calendar year taxpayers. Instead, the Department recommends the following applicability date: “for taxable periods ending on or after December 31, 2021.” This would ensure that the change impacts all taxpayers in the same tax year(s), namely, tax years 2021 through 2024 .
- Sections 2 and 3 of the proposed legislation doubles the I&D Tax filing threshold and exemptions, respectively, effective July 1, 2019. But there are no applicability dates. As a result, they would seem to initially apply to only a portion of tax year 2019 for calendar year taxpayers and some fiscal year taxpayers. Instead, the Department recommends the following applicability date: “for taxable periods ending on or after December 31,” whether 2019 or 2020. This would ensure that the change impacts all taxpayers in the same way, in the same tax year.
- Section 11 of the proposed legislation repeals the I&D Tax effective December 31, 2024. But there is no applicability date. As a result, it would seem to cut tax year 2024 short for fiscal year taxpayers. Instead, the Department recommends the following applicability date: “for taxable periods ending on or after December 31, 2024.” This would ensure that the change impacts all taxpayers in the same way.

HB 185-FN-A-LOCAL- FISCAL NOTE  
AS INTRODUCED

AN ACT relative to contingently reducing the rate of the interest and dividends tax and repealing the tax in 5 years.

FISCAL IMPACT:  State  County  Local  None

STATE:	Estimated Increase / (Decrease)			
	FY 2020	FY 2021	FY 2022	FY 2023
Appropriation	\$0	\$0	\$0	\$0
Revenue	Indeterminable	Indeterminable	Indeterminable	Indeterminable
Expenditures	\$0	\$0	\$0	\$0
<i>Funding Source:</i>	<input checked="" type="checkbox"/> General	<input type="checkbox"/> Education	<input type="checkbox"/> Highway	<input type="checkbox"/> Other

**METHODOLOGY:**

This bill reduces the Interest and Dividends (I&D) Tax from 5 percent to 4 percent for taxable periods ending January 1, 2020 through December 31, 2020. The I&D tax is either further reduced or increased depending on if certain contingencies are met beginning with taxable periods ending January 1, 2020 and later, until December 31, 2024 when the tax is repealed. The gross I&D income thresholds are increased from \$2,400 to \$4,800 and increases the income exemption from \$2,400 to \$4,800 and the 65 years of age or older, blind and disabled exemptions from \$1,200 to \$2,400. The bill does not identify the tax year in which to apply these changes. The Department of Revenue Administration states it is not able to predict the fiscal impact of this bill on State General Fund Revenue as it is not able to predict future tax liabilities and credit carryforward amounts. Additionally, the Department is not able to provide an estimated impact on State General Fund Revenue based on a completed previous tax year because the applicability dates contained in the bill do not correspond to any particular tax year. The Department indicates this bill will not result in any additional administrative costs that could not be absorbed in the Department's operating budget.

The Office of Legislative Budget Assistant states the report contained in this bill can be completed within the Office's operating budget.

**AGENCIES CONTACTED:**

Department of Revenue Administration

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# Bill as Introduced

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HB 185-FN-A-LOCAL - AS INTRODUCED

2019 SESSION

19-0150  
10/05

HOUSE BILL            ***185-FN-A-LOCAL***

AN ACT                relative to contingently reducing the rate of the interest and dividends tax and repealing the tax in 5 years.

SPONSORS:            Rep. Weyler, Rock. 13; Rep. L. Ober, Hills. 37; Rep. Torosian, Rock. 14; Sen. Birdsell, Dist 19

COMMITTEE:          Ways and Means

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ANALYSIS

This bill contingently reduces the rate of the interest and dividends tax depending on state general fund revenues, and repeals the tax on December 31, 2024.

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Explanation:        Matter added to current law appears in ***bold italics***.  
                         Matter removed from current law appears ~~[in brackets and struck through.]~~  
                         Matter which is either (a) all new or (b) repealed and reenacted appears in regular type.



STATE OF NEW HAMPSHIRE

*In the Year of Our Lord Two Thousand Nineteen*

AN ACT                   relative to contingently reducing the rate of the interest and dividends tax and  
                              repealing the tax in 5 years.

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

1           1 Interest and Dividends; Tax Rate. Amend RSA 77:1 to read as follows:

2           77:1 Rate.

3           I. The annual tax upon incomes, *for returns made for taxable periods ending on or*  
4 *before December 31, 2019*, shall be levied at the rate of 5 percent [~~for taxable periods~~].

5           II. *The annual rate upon incomes for returns made for taxable periods ending*  
6 *January 1, 2020 through December 31, 2020 shall be 4 percent.*

7           III. *Beginning with taxable periods ending January 1, 2021 and later, the annual*  
8 *rate applicable to returns made for a taxable period shall be at the rate published by the*  
9 *commissioner of the department of revenue administration according to paragraph IV.*

10          IV. *By December 1, 2020, and by each December 1 thereafter, the legislative budget*  
11 *assistant, using the combined amount of revenue from the schedule of*  
12 *undesignated/unassigned fund balance for the general fund and education trust fund as*  
13 *contained in the audited comprehensive annual report performed pursuant to RSA 21-I:8,*  
14 *II(a), shall make a report to the speaker of the house of representatives, the senate*  
15 *president, and the commissioner of the department of revenue administration,*  
16 *determining whether the combined unrestricted general and education trust fund*  
17 *revenues collected for the most recently completed fiscal year is equal to or greater than*  
18 *the corresponding amount specified in the state operating budget for that year. Each year*  
19 *that the report finds that such revenues were equal to or greater than the corresponding*  
20 *amount specified in the state operating budget, the commissioner shall reduce the rate of*  
21 *the annual tax upon incomes by one percent and publish such rate applicable for the*  
22 *subsequent January 1 through December 31 period. If for any reported year such state*  
23 *revenues are less than the corresponding amount specified in the state operating budget,*  
24 *the commissioner shall apply and publish the same rate as the previous year. If for any 2*  
25 *consecutive reported years such state revenues are less than the corresponding amount*  
26 *specified in the state operating budget, the commissioner shall increase the rate of the*  
27 *annual tax upon incomes by one percent and publish such rate applicable for the*  
28 *subsequent January 1 through December 31 period.*

29          2 Who Taxable. Amend RSA 77:3 to read as follows:

30          77:3 Who Taxable.

1 I. Taxable income is that income received from interest and dividends during the tax year  
2 prior to the assessment date by:

3 (a) Individuals who are inhabitants or residents of this state for any part of the taxable  
4 year whose gross interest and dividend income from all sources, including income from a qualified  
5 investment company pursuant to RSA 77:4, V, exceeds [~~\$2,400~~] \$4,800 during that taxable period.

6 (b) Partnerships, limited liability companies, and associations, the beneficial interest in  
7 which is not represented by transferable shares, whose gross interest and dividend income from all  
8 sources exceeds [~~\$2,400~~] \$4,800 during the taxable year, but not including a qualified investment  
9 company as defined in RSA 77-A:1, XXI, or a trust comprising a part of an employee benefit plan, as  
10 defined in the Employee Retirement Income Security Act of 1974, section 3.

11 (c) Executors deriving their appointment from a court of this state whose gross interest  
12 and dividend income from all sources exceeds [~~\$2,400~~] \$4,800 during the taxable year.

13 II. No person shall be subject to tax under RSA 77 solely due to its holding an ownership  
14 interest in a qualified investment company as defined in RSA 77-A:1, XXI.

15 3 Exemptions. Amend RSA 77:5 to read as follows:

16 77:5 Exemptions. Each taxpayer shall have the following exemptions:

17 I. Income of [~~\$2,400~~] \$4,800.

18 II. An additional [~~\$1,200~~] \$2,400 if either or both taxpayers are 65 years of age or older on  
19 the last day of the tax year.

20 III. An additional [~~\$1,200~~] \$2,400 if either or both taxpayers are blind.

21 IV. An additional [~~\$1,200~~] \$2,400 if either or both taxpayers are disabled, unable to work,  
22 and have not yet reached their sixty-fifth birthday.

23 4 Reference to Interest and Dividends Tax Deleted; 2024. Amend RSA 14-B:8, III(q) to read as  
24 follows:

25 (q) New Hampshire taxes, specifying if business profits tax[~~;~~] *or* business enterprise  
26 tax[~~;-or-interest-and-dividends-tax~~].

27 5 Reference to Interest and Dividends Tax Deleted; 2024. Amend RSA 15-A:5, I(d)(17) to read  
28 as follows:

29 (17) New Hampshire taxes, specifying if business profits tax[~~;~~] *or* business  
30 enterprise tax[~~;-or-interest-and-dividends-tax~~].

31 6 Reference to Interest and Dividends Tax Deleted; 2024. Amend RSA 21-J:31 to read as  
32 follows:

33 21-J:31 Penalty for Failure to File. Any taxpayer who fails to file a return when due, unless an  
34 extension has been granted by the department, shall pay a penalty equal to 5 percent of the amount  
35 of the tax due or \$10, whichever is greater, for each month or part of a month during which the  
36 return remains unfiled. The total amount of any penalty shall not, however, exceed 25 percent of  
37 the amount of the tax due or \$50, whichever is greater. This penalty shall not be applied in any  
38 case in which a return is filed within the extended filing period as provided in [~~RSA 77:18 b,~~]

1 RSA 77-A:9, RSA 77-E:8, RSA 83-C:6, RSA 83-E:5, RSA 84-A:7, or RSA 84-C:7, or the failure to file  
2 was due to reasonable cause and not willful neglect of the taxpayer. The amount of the penalty is  
3 determined by applying the percentages specified to the net amount of any tax due after crediting  
4 any timely payments made through estimating or other means.

5 7 Reference to Interest and Dividends Tax Deleted; 2024. Amend the introductory paragraph  
6 of RSA 21-J:33-a, I to read as follows:

7 I. If there is a substantial understatement of tax imposed under ~~[RSA 77,]~~ RSA 77-A,  
8 RSA 77-E, RSA 78-A, RSA 78-C, RSA 82-A, RSA 83-C, RSA 83-E, or RSA 84-A for any taxable  
9 period, there shall be added to the tax an amount equal to 25 percent of the amount of any  
10 underpayment attributable to such understatement.

11 8 Reference to Interest and Dividends Tax Deleted; 2024. Amend RSA 21-J:46, III to read as  
12 follows:

13 III. This section shall apply only to tax returns and associated payments under ~~[RSA 77,]~~  
14 RSA 77-A~~[,]~~ and RSA 77-E.

15 9 References to Interest and Dividends Tax Deleted; 2024. Amend RSA 71-C:4, I and II to read  
16 as follows:

17 I. On or before December 15 of every fiscal year the commissioner of the department of  
18 revenue administration shall certify in a report to the general court and the governor an analysis of  
19 each of the past fiscal year's tax expenditures as identified in RSA 71-C:2, and other credits allowed  
20 under ~~[RSA 77,]~~ RSA 77-A, RSA 77-E, RSA 77-G, RSA 78, RSA 78-A, 78-B, RSA 82-A, RSA 83-E,  
21 RSA 84-A, RSA 84-C, and RSA 400-A.

22 II. The report shall be divided into the following parts:

23 (a) Tax expenditures as determined by the joint committee on tax expenditure review  
24 under RSA 71-C:3;

25 (b) Potential liabilities against the state's revenues, specifically:

26 (1) Other credits allowed under ~~[RSA 77,]~~ RSA 77-A, RSA 77-E, RSA 77-G, RSA 78,  
27 RSA 78-A, RSA 78-B, RSA 82, RSA 82-A, RSA 83-E, RSA 84-A, RSA 84-C, and RSA 400-A against  
28 the business profits tax imposed by RSA 77-A; and

29 (2) Credit carryovers from overpaid taxes.

30 10 Returns for Interest and Dividends Taxes. All persons who are liable for a tax under  
31 RSA 77 as of December 31, 2024, who thereafter are no longer liable for a tax under RSA 77 because  
32 of the passage of this act shall make a return of such taxes due the commissioner of revenue  
33 administration in such manner and on such forms as the commissioner shall prescribe in rules  
34 adopted under RSA 541-A. The administrative provisions of RSA 77 shall remain in effect to permit  
35 the collection of taxes upon income taxable under RSA 77 which is received by persons subject to  
36 taxation under that chapter through December 31, 2024, and to permit the distribution of that  
37 revenue. Persons who are liable for a tax under RSA 77 who do not report the payment of federal  
38 income taxes on a calendar year basis are entitled to such proportion of the exemptions allowed in

HB 185-FN-A-LOCAL - AS INTRODUCED

- Page 4 -

1 RSA 77 as the reporting period bears to their taxable year.

2 11 Repeals; Interest and Dividends Taxation; 2024. The following are repealed:

3 I. RSA 21-J:45, I(e), relative to reports on status of requested interest and dividends tax  
4 refunds.

5 II. RSA 77, relative to taxation of incomes.

6 III. RSA 77-A:4-c, II(c), relative to the duty of a committee to study the taxation of  
7 distributions received by investment organizations under the interest and dividends tax.

8 IV. RSA 77-A:4, I, relative to an adjustment to the business profits tax for taxes under  
9 RSA 77.

10 V. RSA 195-H:10, relative to exemption from RSA 77 for income and distributions from  
11 qualified tuition programs.

12 VI. RSA 261:52-a relative to notice that the interest and dividends tax may be due.

13 VII. RSA 391:3 relative to the taxation of common trust funds under RSA 77.

14 12 Effective Date.

15 I. Sections 4-11 of this act shall take effect December 31, 2024.

16 II. The remainder of this act shall take effect July 1, 2019.

HB 185-FN-A-LOCAL- FISCAL NOTE  
AS INTRODUCED

AN ACT relative to contingently reducing the rate of the interest and dividends tax and repealing the tax in 5 years.

FISCAL IMPACT:  State  County  Local  None

STATE:	Estimated Increase / (Decrease)			
	FY 2020	FY 2021	FY 2022	FY 2023
Appropriation	\$0	\$0	\$0	\$0
Revenue	Indeterminable	Indeterminable	Indeterminable	Indeterminable
Expenditures	\$0	\$0	\$0	\$0
<i>Funding Source:</i>	<input checked="" type="checkbox"/> General	<input type="checkbox"/> Education	<input type="checkbox"/> Highway	<input type="checkbox"/> Other

**METHODOLOGY:**

This bill reduces the Interest and Dividends (I&D) Tax from 5 percent to 4 percent for taxable periods ending January 1, 2020 through December 31, 2020. The I&D tax is either further reduced or increased depending on if certain contingencies are met beginning with taxable periods ending January 1, 2020 and later, until December 31, 2024 when the tax is repealed. The gross I&D income thresholds are increased from \$2,400 to \$4,800 and increases the income exemption from \$2,400 to \$4,800 and the 65 years of age or older, blind and disabled exemptions from \$1,200 to \$2,400. The bill does not identify the tax year in which to apply these changes. The Department of Revenue Administration states it is not able to predict the fiscal impact of this bill on State General Fund Revenue as it is not able to predict future tax liabilities and credit carryforward amounts. Additionally, the Department is not able to provide an estimated impact on State General Fund Revenue based on a completed previous tax year because the applicability dates contained in the bill do not correspond to any particular tax year. The Department indicates this bill will not result in any additional administrative costs that could not be absorbed in the Department's operating budget.

The Office of Legislative Budget Assistant states the report contained in this bill can be completed within the Office's operating budget.

**AGENCIES CONTACTED:**

Department of Revenue Administration