HB 623-FN-A - AS AMENDED BY THE HOUSE

28Feb2019... 0416h

2019 SESSION

19-0689
10/08

HOUSE BILL 623-FN-A

AN ACT relative to the rates of the business profits tax and business enterprise tax.


COMMITTEE: Ways and Means

ANALYSIS

This bill establishes the rates of the business profits tax and the business enterprise tax for taxpayer tax years ending on or after December 31, 2019 and for subsequent tax years, and repeals rate reductions effective in 2021.

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Matter which is either (a) all new or (b) repealed and reenacted appears in regular type.
AN ACT relative to the rates of the business profits tax and business enterprise tax.

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

1 Business Profits Tax; Imposition of Tax; 2019. RSA 77-A:2 is repealed and reenacted to read as follows:

77-A:2 Imposition of Tax. A tax is imposed at the rate of 7.9 percent upon the taxable business profits of every business organization.

2 Business Enterprise Tax; Imposition of Tax; 2019. RSA 77-E:2 is repealed and reenacted to read as follows:

77-E:2 Imposition of Tax. A tax is imposed at the rate of .675 percent upon the taxable enterprise value tax base of every business enterprise.

3 Repeal of Prospective Amendments. The following are repealed:

I. 2017, 156:215; relative to the rate of the business profits tax in 2021.

II. 2017, 156:216; relative to the rate of the business enterprise tax in 2021.

III. 2017, 156:217, II, relative to the applicability of the 2021 rates changes.

4 Applicability. Sections 1 and 2 of this act shall apply to taxable periods ending on or after December 31, 2019.

5 Effective Date. This act shall take effect 60 days after its passage.
AN ACT relative to the rates of the business profits tax and business enterprise tax.

FISCAL IMPACT: [ X ] State [ ] County [ ] Local [ ] None

<table>
<thead>
<tr>
<th>STATE:</th>
<th>Estimated Increase / (Decrease)</th>
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<tbody>
<tr>
<td></td>
<td>FY 2020</td>
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<tr>
<td>Appropriation</td>
<td>$0</td>
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<tr>
<td>Revenue</td>
<td>Indeterminable Increase</td>
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<tr>
<td>Expenditures</td>
<td>$0</td>
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<tr>
<td>Funding Source:</td>
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METHODOLOGY:

This bill sets the Business Profits Tax rate at 7.9 percent and the Business Enterprise Tax rate at 0.675 percent and repeals the rate reductions contained in Chapter 156, Laws of 2017. This bill is applicable for taxable periods ending on or after December 31, 2019.

The Department of Revenue Administration states the fiscal impact is indeterminable as the Department is not able to predict future business tax revenue. Based on the following assumptions, the Department is able to estimate a possible fiscal impact:

- the current 2019 and 2021 rate reductions would have been in effect for FY 2020 through FY 2023;
- the FY 2018 cash basis business tax revenue of $775,900,000 (BET: $297,100,000 + BPT:$478,800,000) is the starting point for calculating the fiscal impact;
- based on a tax year revenue analysis of FY 2018 revenue, 13 percent is attributable to tax year 2016, 64 percent is attributable to tax year 2017, and 23 percent is attributable to tax year 2018; and
- applying the split to FY 2018 revenue as well as applying the applicable rates creates a base of $47,786,625,316 (BET:$41,896,601,852 + BPT:$5,890,023,464) to use for the starting point of the calculating the fiscal impact.

Applying the applicable tax rates results in the following impact:

<p>| Fiscal Year | FY 2018 Revenue with Current Law's 2019 and 2021 Rate Reductions | FY 2018 Revenues with Proposed Rate Increases | Estimated Fiscal Impact Per Year (proposed legislation compared to current) |</p>
<table>
<thead>
<tr>
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<tbody>
<tr>
<td>2020</td>
<td>$710,527,743</td>
<td>$748,113,916</td>
<td>$37,586,173</td>
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<td>2021</td>
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<td>$96,879,147</td>
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</table>

The Department notes that future revenue may be overstated or understated for future fiscal years depending on whether actual revenue is more or less than FY 2018.

AGENCIES CONTACTED:

Department of Revenue Administration