

SB 135-FN-A - AS INTRODUCED

2019 SESSION

19-0891

10/03

SENATE BILL ***135-FN-A***

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

SPONSORS: Sen. D'Allesandro, Dist 20; Sen. Dietsch, Dist 9; Sen. Feltes, Dist 15; Sen. Kahn, Dist 10; Sen. Levesque, Dist 12; Rep. Hatch, Coos 6; Rep. Leishman, Hills. 24; Rep. M. Smith, Straf. 6

COMMITTEE: Ways and Means

ANALYSIS

This bill amends the rate changes to the business profits tax and the business enterprise tax by retaining the applicable rate for 2018 for use in 2019, and postponing the future rate changes to those taxes made in 2017, 156 to be effective 2 years later.

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 Matter which is either (a) all new or (b) repealed and reenacted appears in regular type.

STATE OF NEW HAMPSHIRE

In the Year of Our Lord Two Thousand Nineteen

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

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

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 RSA 77-A:2 is repealed and reenacted to read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

3 77-A:2 Imposition of Tax. A tax is imposed at the rate of 7.9 percent upon the taxable business
4 profits of every business organization.

5 2 Application Business Profits Tax Rate. Section 1 of this act shall apply to taxable periods
6 ending on or after December 31, 2019.

7 3 Business Enterprise Tax; Imposition of Tax; 2019. RSA 77-E:2 is repealed and reenacted to
8 read as follows:

9 77-E:2 Imposition of Tax. A tax is imposed at the rate of .675 percent upon the taxable
10 enterprise value tax base of every business enterprise.

11 4 Application of Business Enterprise Rate. Section 3 of this act shall apply to taxable periods
12 ending on or after December 31, 2019.

13 5 Business Profits Tax; Imposition of Tax; 2021. RSA 77-A:2 is repealed and reenacted to read
14 as follows:

15 77-A:2 Imposition of Tax. A tax is imposed at the rate of 7.7 percent upon the taxable business
16 profits of every business organization.

17 6 Application Business Profits Tax Rate. Section 5 of this act shall apply to taxable periods
18 ending on or after December 31, 2021.

19 7 Business Enterprise Tax; Imposition of Tax; 2021. RSA 77-E:2 is repealed and reenacted to
20 read as follows:

21 77-E:2 Imposition of Tax. A tax is imposed at the rate of .60 percent upon the taxable
22 enterprise value tax base of every business enterprise.

23 8 Application of Business Enterprise Rate. Section 7 of this act shall apply to taxable periods
24 ending on or after December 31, 2021.

25 9 Postponement of Future Rate Changes; Business Profits Tax; Business Enterprise Tax.
26 Amend 2017, 156:215 through 156, 217 to read as follows:

27 156:215 Business Profits Tax; Imposition of Tax; ~~[2021]~~ **2023**. Amend RSA 77-A:2 to read as
28 follows:

29 77-A:2 Imposition of Tax. A tax is imposed at the rate of ~~[7.7]~~ **7.5** percent upon the taxable
30 business profits of every business organization.

31 156:216 Business Enterprise Tax; Imposition of Tax; ~~[2021]~~ **2023**. Amend RSA 77-E:2 to read

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1 as follows:

2 77-E:2 Imposition of Tax. A tax is imposed at the rate of ~~[-60]~~ **.50** percent upon the taxable
3 enterprise value tax base of every business enterprise.

4 156:217 Applicability.

5 I. Sections 213 and 214 of this act shall ~~[apply to taxable periods ending on or after~~
6 ~~December 31, 2019]~~ **not apply**.

7 II. Sections 215 and 216 of this act shall apply to taxable periods ending on or after
8 December 31, ~~[2021]~~ **2023**.

9 10 Change to Effective Date of Future Rate Changes. Amend 2017, 156:249, VIII, as amended
10 by 2018,11:1 to read as follows:

11 VIII. Sections 215 and 216 of this act shall take effect January 1, ~~[2021]~~ **2023**.

12 11 Effective Date.

13 I. Sections 5 and 7 of this act shall take effect January 1, 2021.

14 II. The remainder of this act shall take effect upon its passage.

SB 135-FN-A- FISCAL NOTE
AS INTRODUCED

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

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 Increase	Indeterminable Increase	Indeterminable Increase	Indeterminable Increase
Expenditures	\$0	\$0	\$0	\$0
Funding Source:	<input checked="" type="checkbox"/> General	<input checked="" type="checkbox"/> Education	<input type="checkbox"/> Highway	<input type="checkbox"/> Other

METHODOLOGY:

This bill increases the business profits tax rate and business enterprise tax rate for taxable periods ending on or after December 21, 2019 back to the rate applicable to taxable periods ending on or after December 31, 2018. As a result, the business profits tax rate will remain at 7.9 percent and the business enterprise tax rate will remain at 0.675 percent. The bill also repeals the prospective decrease in the business tax rates for taxable periods ending on or after December 31, 2021 and provides new dates for the business tax rate reductions. The business profits tax rate will reduce from 7.9 percent to 7.7 percent for taxable periods ending on or after December 31, 2021 and will reduce from 7.7 percent to 7.5 percent for taxable periods ending on or after December 31, 2023. The business enterprise tax rate will reduce from 0.675 percent to 0.60 percent for taxable periods ending on or after December 31, 2021 and will reduce from 0.60 percent to 0.50 percent for taxable periods ending on or after December 31, 2023.

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 2025;
- the FY 2018 cash basis business tax revenue of \$775,900,000 is the starting point for calculating 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:

Fiscal Year	FY 2018 Revenue with Current BPT and BET Rate Reductions Applied	FY 2018 Revenue with New BPT and BET Rates Applied	Year-Over-Year Difference	Cumulative Difference
2020	\$710,527,743	\$748,113,916	\$37,586,173	\$37,586,173
2021	\$692,565,789	\$738,177,342	\$45,611,553	\$83,197,726
2022	\$658,212,733	\$710,527,743	\$52,315,010	\$135,512,736
2023	\$651,234,769	\$692,565,789	\$41,331,020	\$176,843,756
2024	\$651,234,769	\$658,212,733	\$6,977,964	\$183,821,720
2025	\$651,234,769	\$651,234,769	\$0	\$183,821,720

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