

Economic and Fiscal Orientation

Presentation to the House Finance Committee,
House Ways & Means Committee, Senate Ways &
Means Committee, and Senate Finance Committee
January 9, 2017

John Shea
Executive Director
New Hampshire Fiscal Policy Institute
603.856.8337
jshea@nhfpi.org
www.nhfpi.org

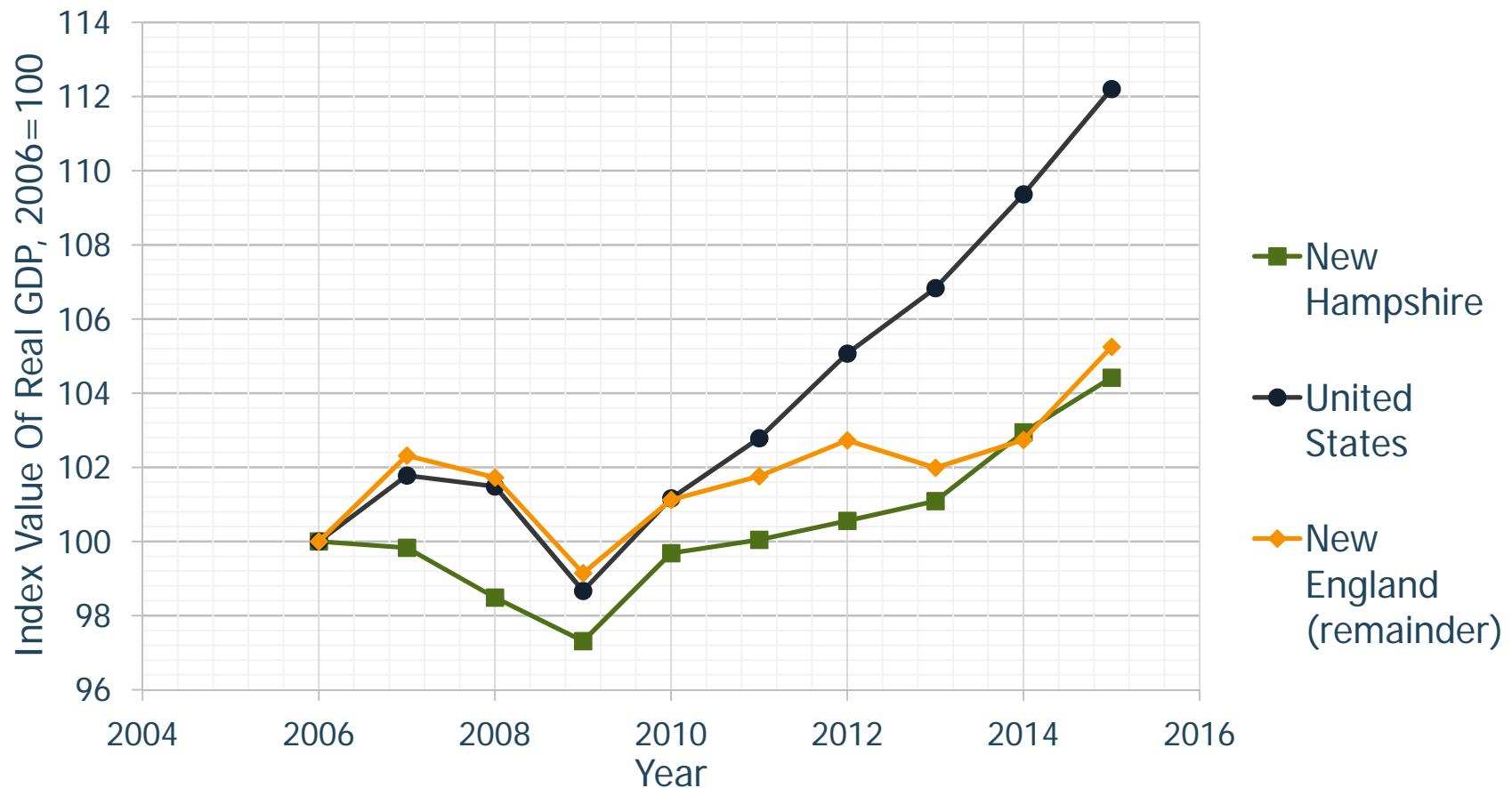
SFY 2018-2019 Economic and Fiscal Orientation

- **What do key indicators suggest about the economy and State revenues?**
- Where does New Hampshire's revenue come from?
- How widespread is economic growth since the Recession?

New Hampshire Economic Output In Context

NH Recession Started Earlier, Was Not As Sharp

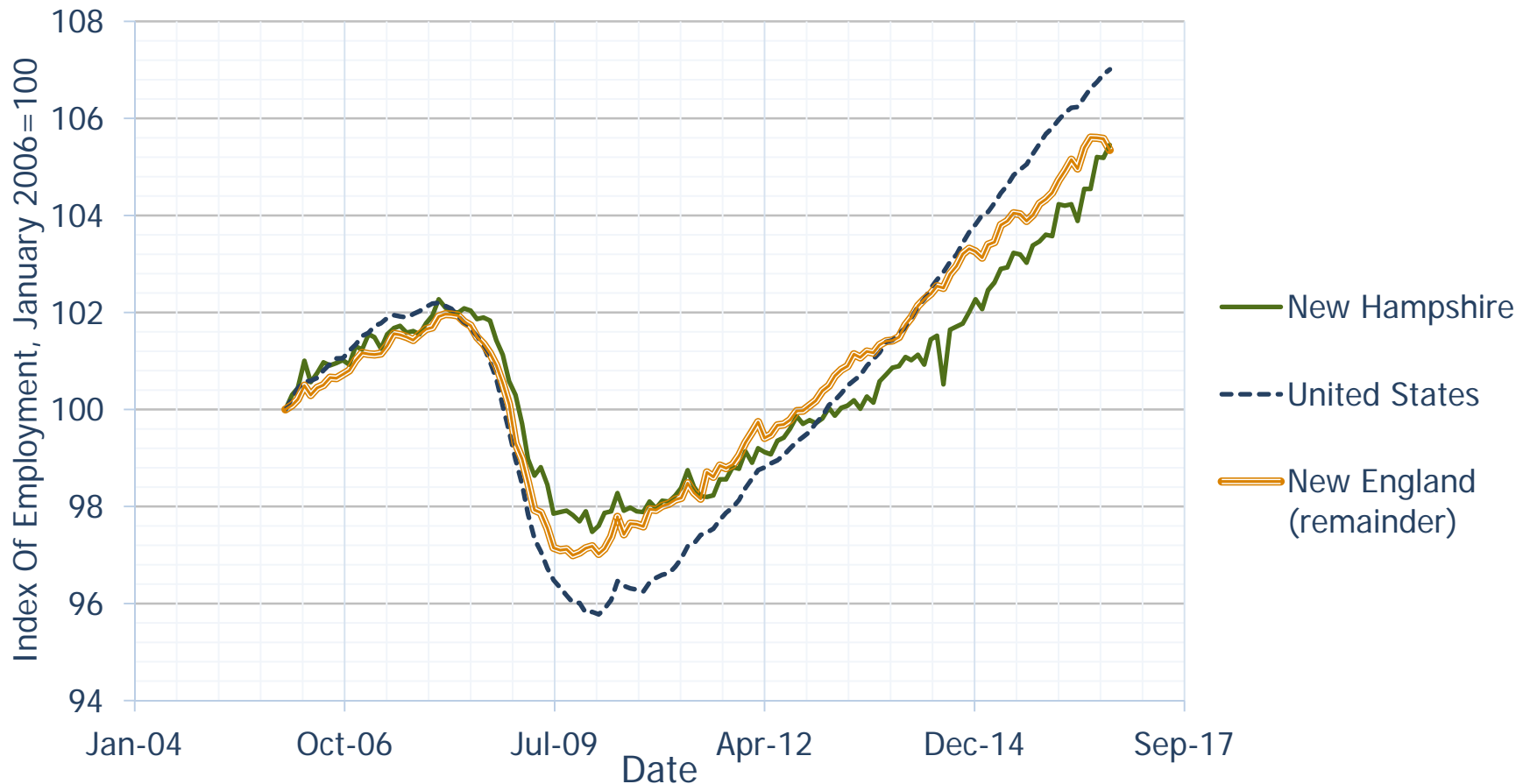
Real Gross Domestic Product (chained 2009 dollars) By Jurisdictions, 2006=100



NH Employment Recovered From Recession

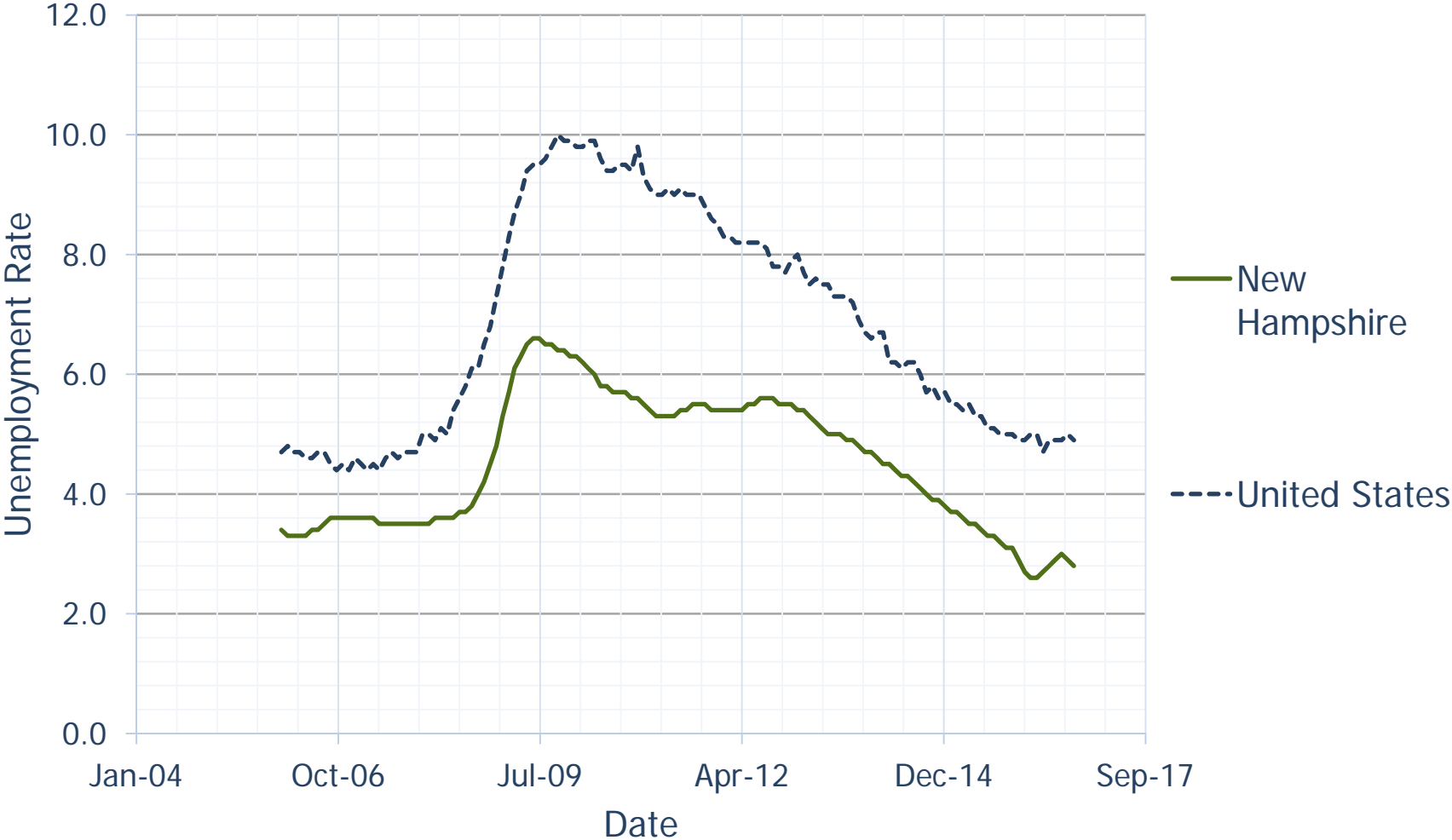
Employment Growth Slower Than National Average

Total Monthly Payroll Employment, US, NH, Rest Of New England; January 2006 = 100



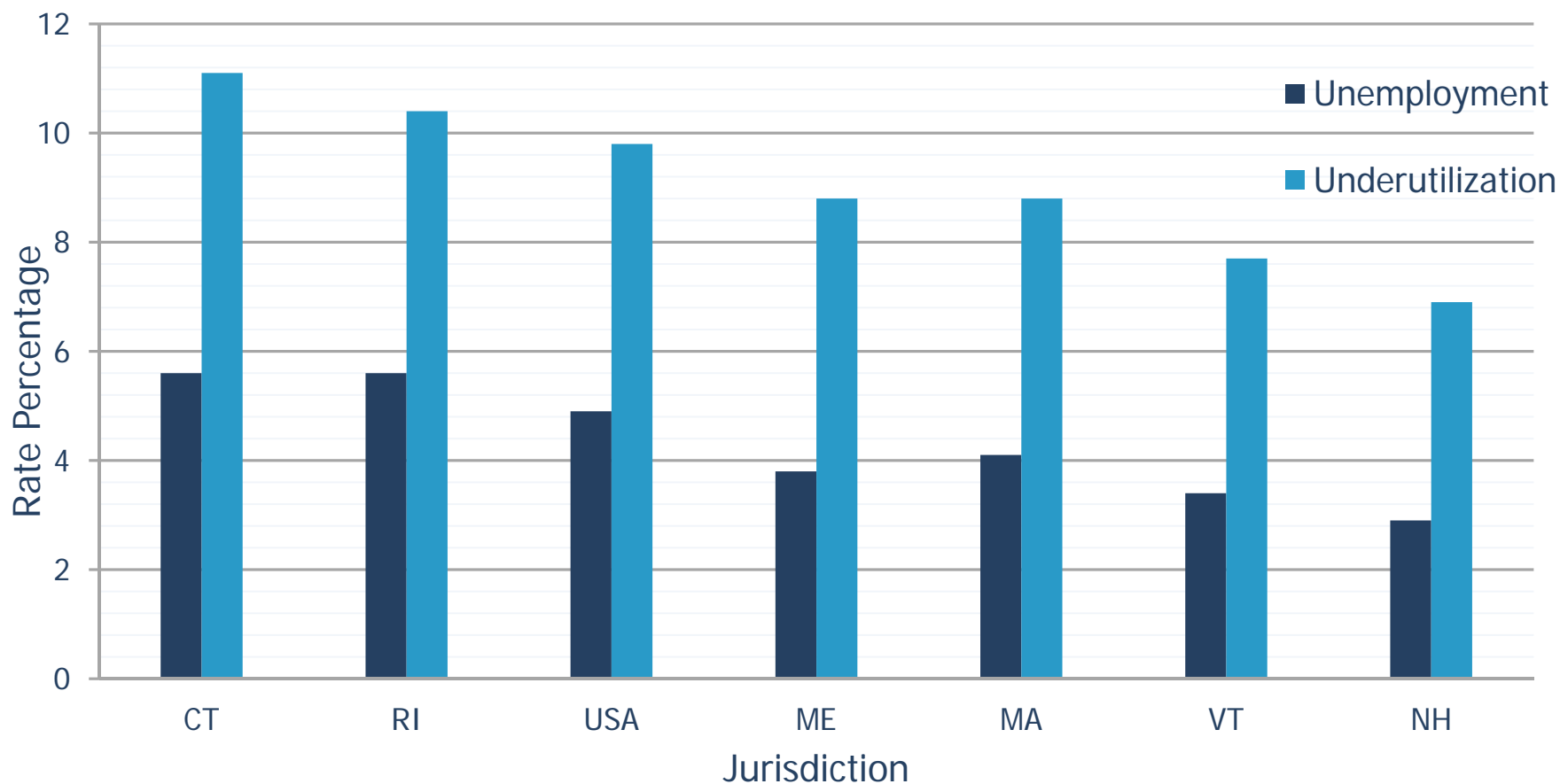
Unemployment Rate Lower Than Pre-Recession, National

Unemployment Rates For New Hampshire And The United States



Labor Underutilization Also Relatively Low

*Unemployment Rates And Broadest Official Underutilization Rates
For 2015Q4 Through 2016Q3*

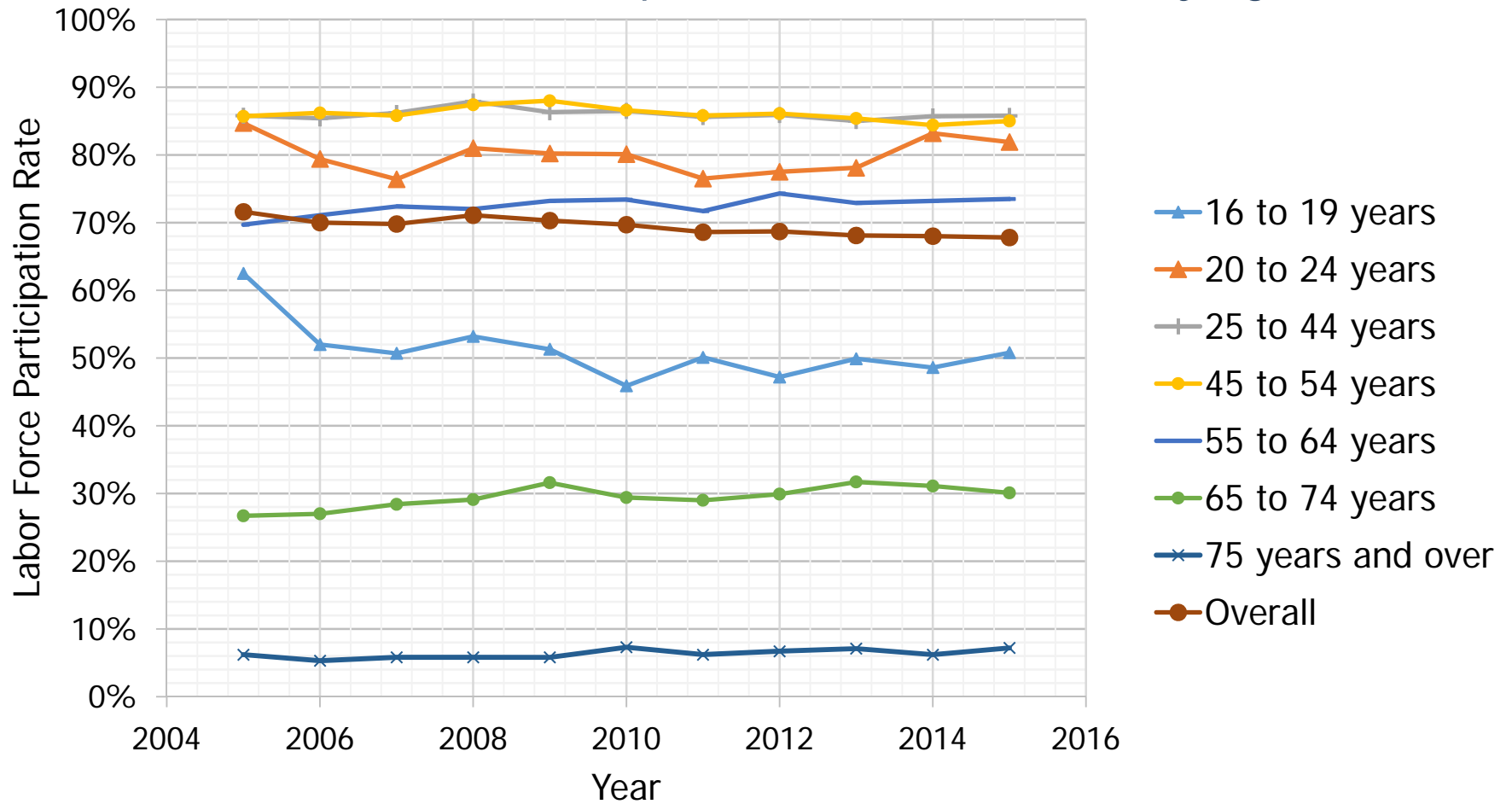


Note: Of official federal measures, unemployment rate is U3, underutilization is U6.

Sources: U.S. Bureau of Labor Statistics

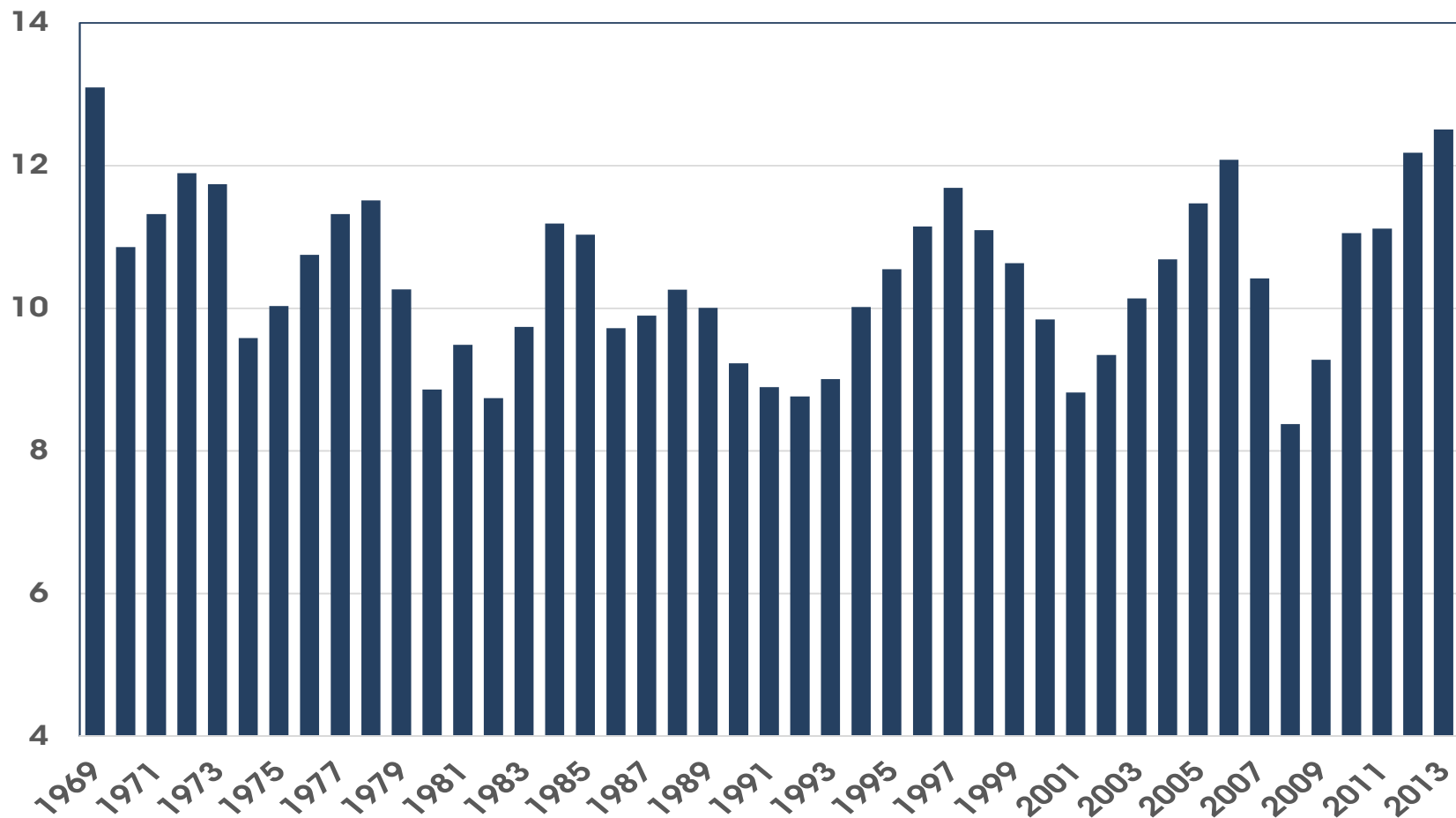
Workforce Participation Rates By Cohort

NH Labor Force Participation Rates Since 2006, By Age



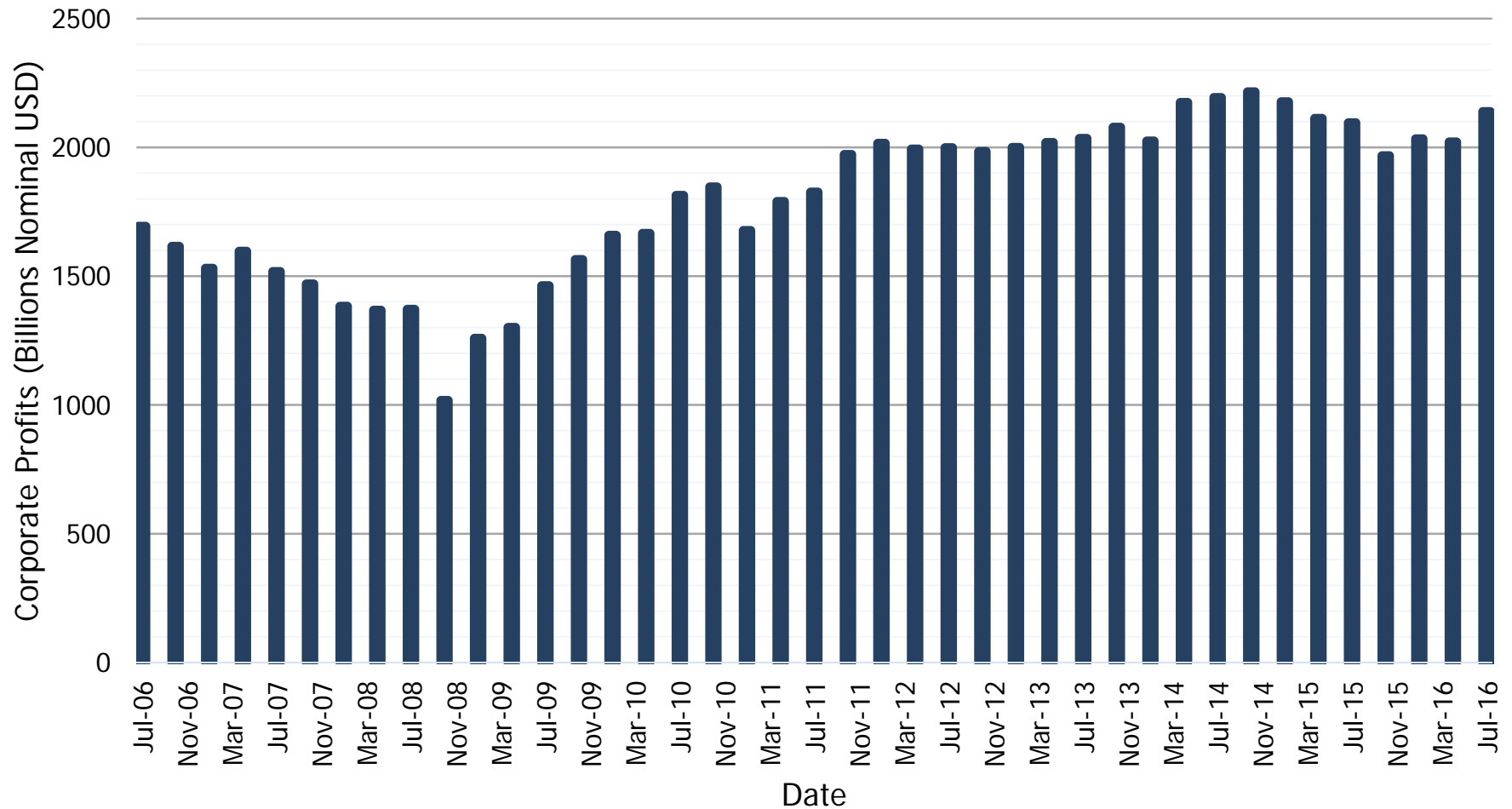
U.S. Corporate Profitability Cyclical Over Decades

Net Operating Surplus As A Share Of Fixed Corporate Assets, 1969-2013



U.S. Corporate Profitability Since Recovery

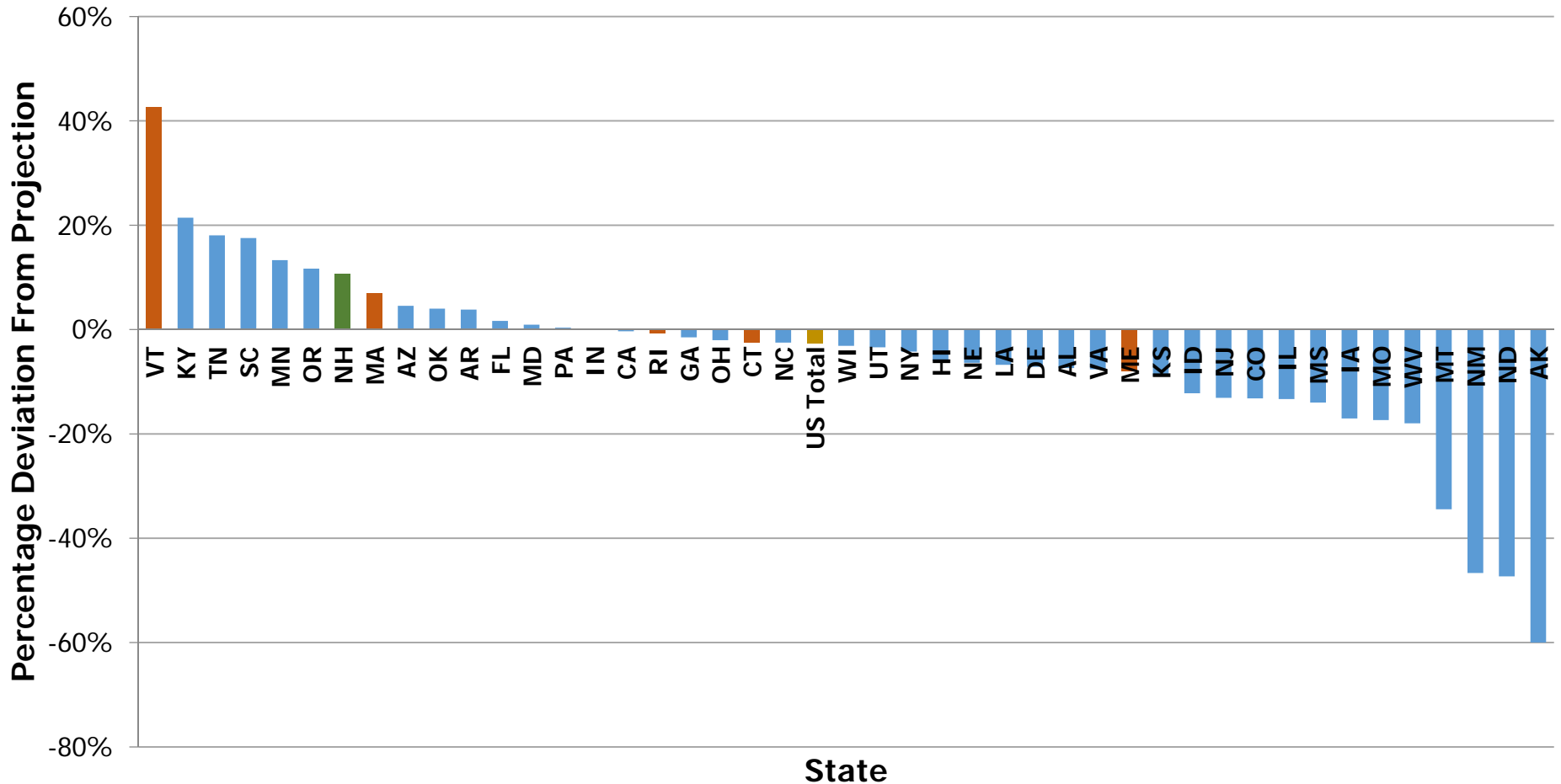
Corporate Profits With Inventory Valuation And Capital Consumption Adjustments



Corporate Income Taxes Relative To Projections

New Hampshire One Of 14 States Meeting Or Exceeding Projections

Corporate Income Tax Preliminary Actuals As Percent Difference From Budget, SFY 2016



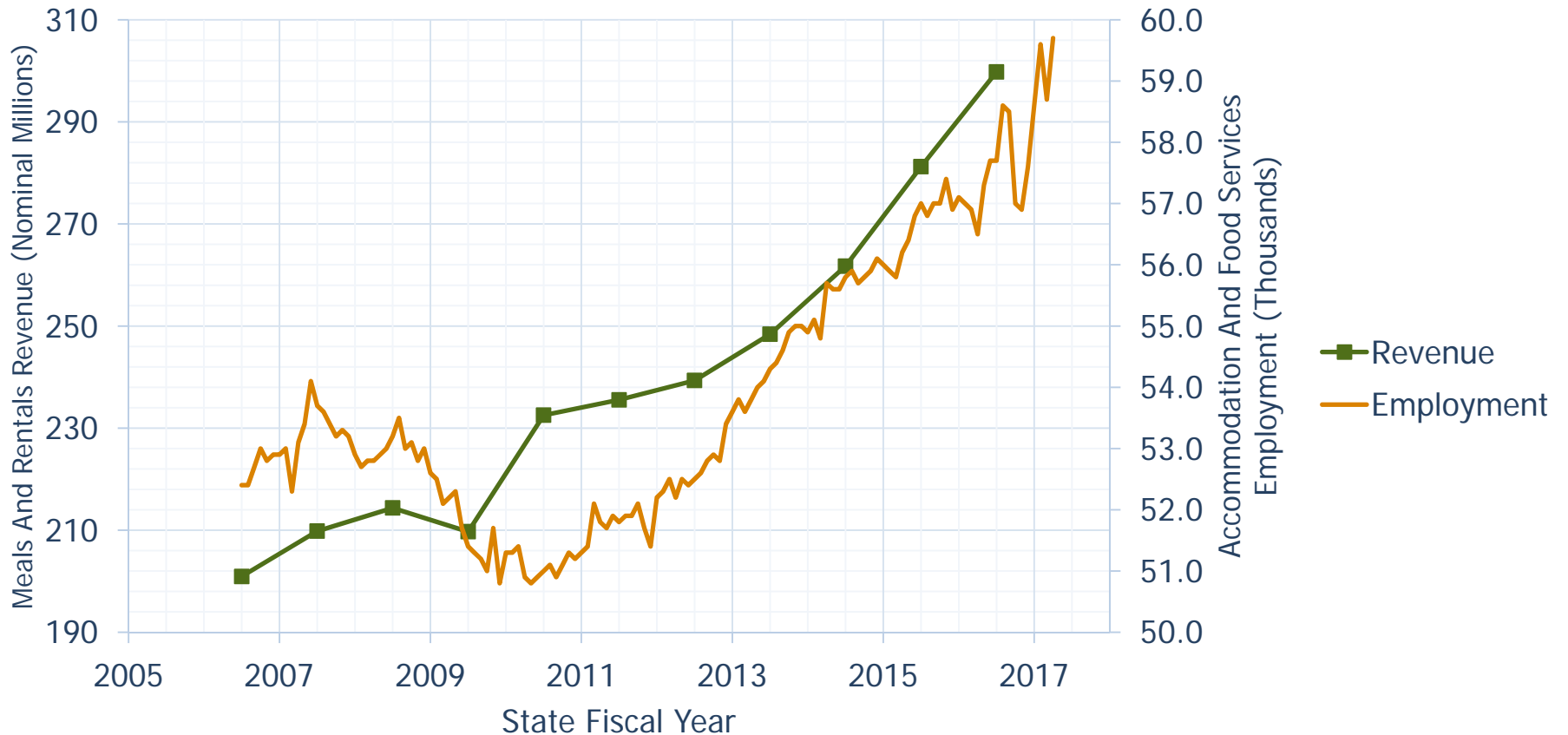
Note: Michigan not included.

Source: National Association of State Budget Officers, Fiscal Survey of the States – Fall 2016

Meals And Rentals Receipts And Industry Size

Employment Trend Appears Consistent With Receipts

Meals And Rentals Revenue And Accommodation And Food Services Sector Employment

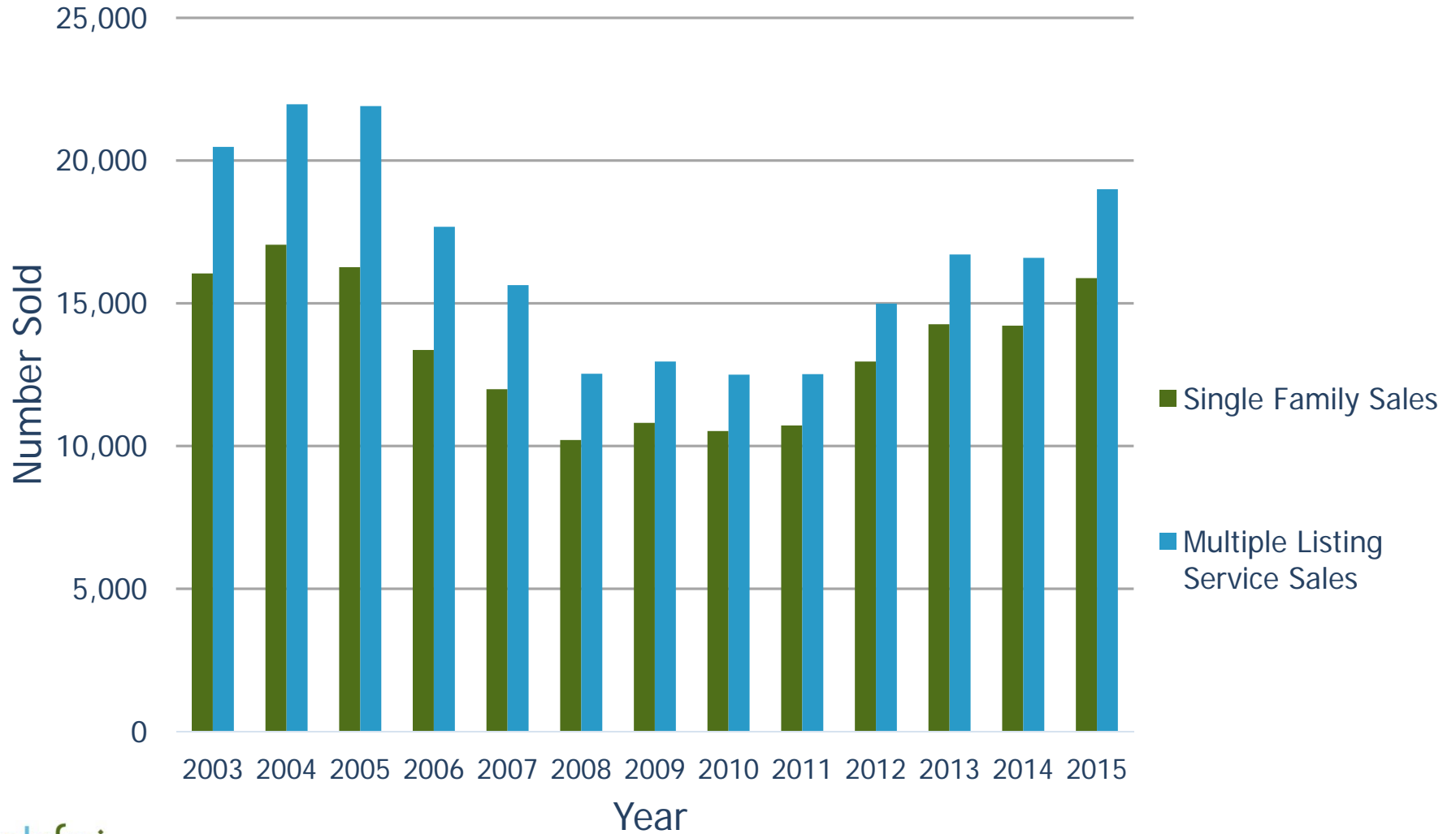


Notes: The Meals And Rentals rate was raised from 8 percent to 9 percent in SFY 2010. Revenue indicated in SFY 2016 is an unaudited estimate from the Department of Administrative Services.

Sources: CAFR SFYs 2014 and 2015, U.S. Bureau of Labor Statistics, Department of Administrative Services Monthly Revenue Update

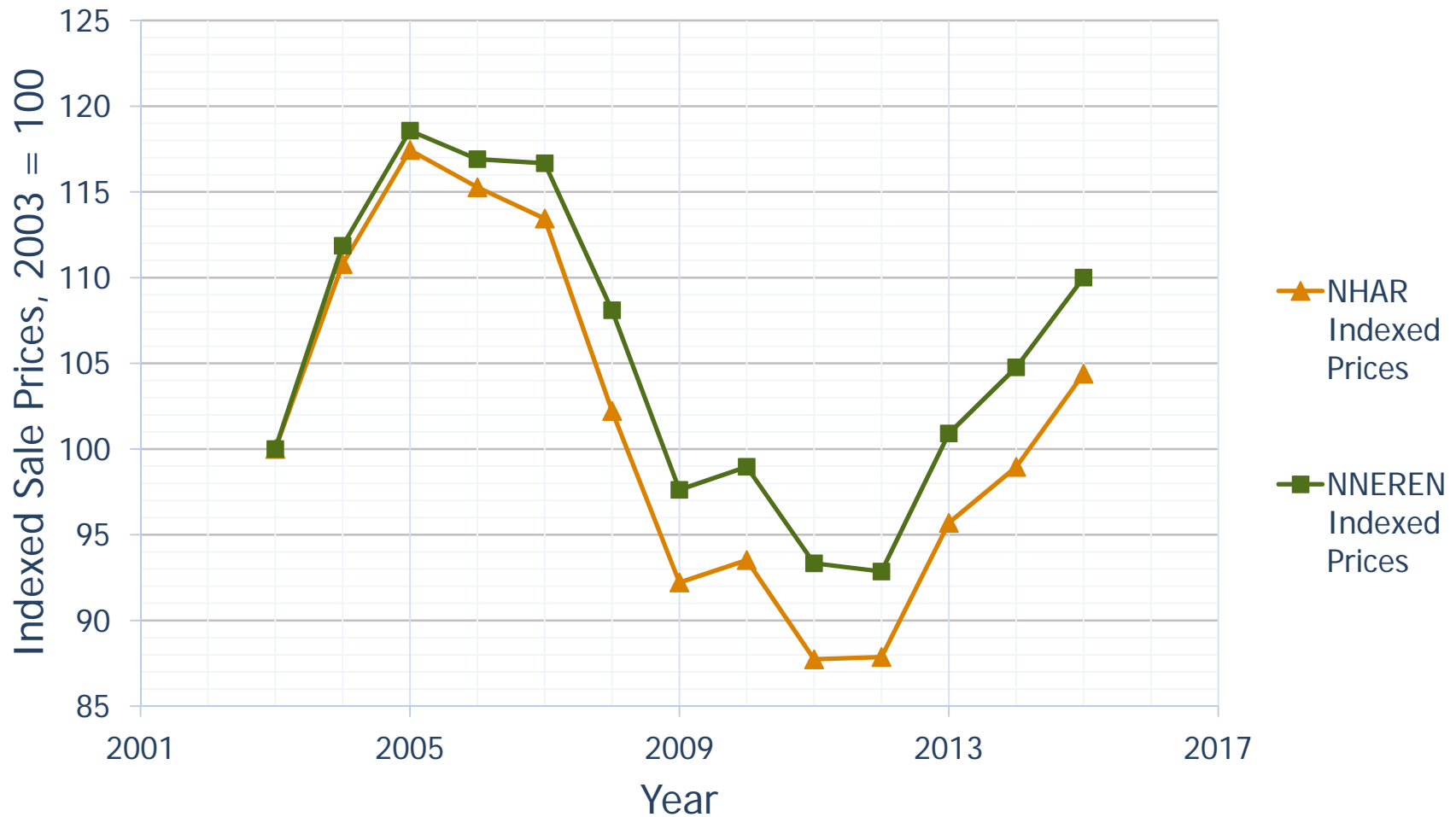
NH House Sales Rising

NH Association Of Realtors And Northern New England Real Estate Network Housing Sales



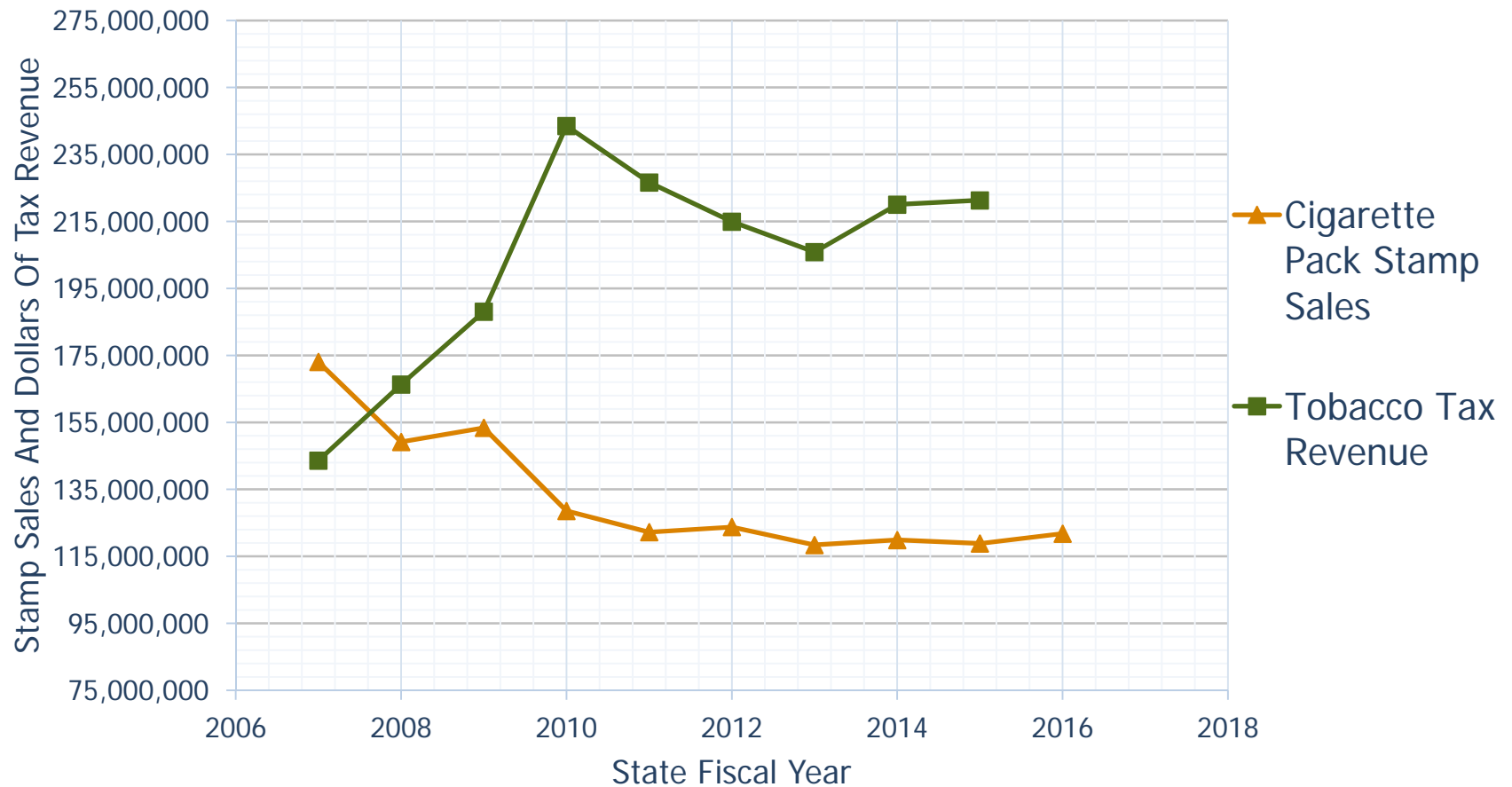
NH House Prices Rising

NH Association Of Realtors And Northern New England Real Estate Network Housing Sales



Cigarette Consumption And Tobacco Tax Revenue

Cigarette Pack Stamp Sales (Mechanism For Implementing Most Of Tax) And Revenue

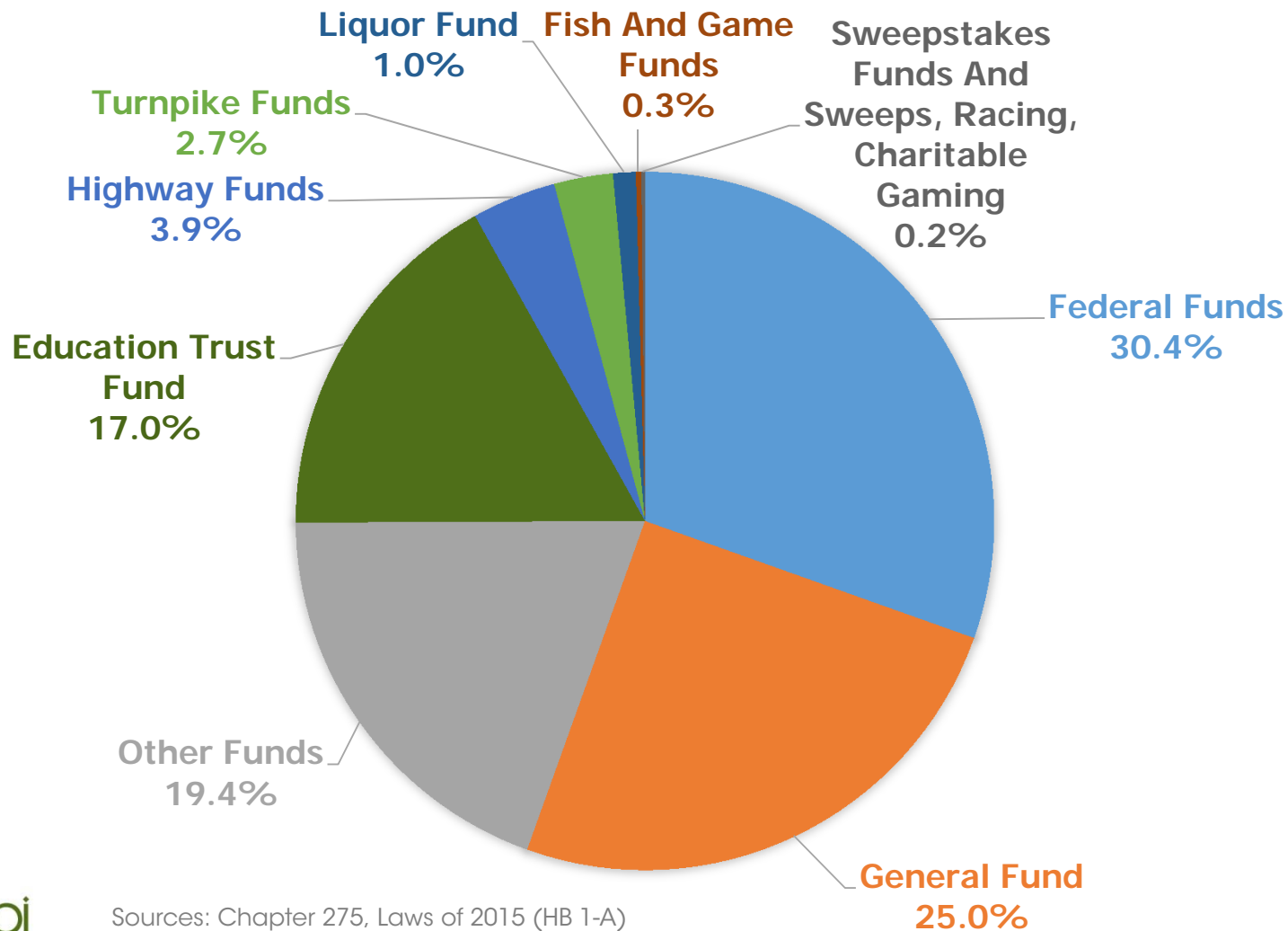


SFY 2018-2019 Economic and Fiscal Orientation

- What do key indicators suggest about the economy and State revenues?
- **Where does New Hampshire's revenue come from?**
- How widespread is economic growth since the Recession?

Budget-Identified Funds By Magnitude

State Fiscal Year (SFY) 2016-17 Biennial Budget

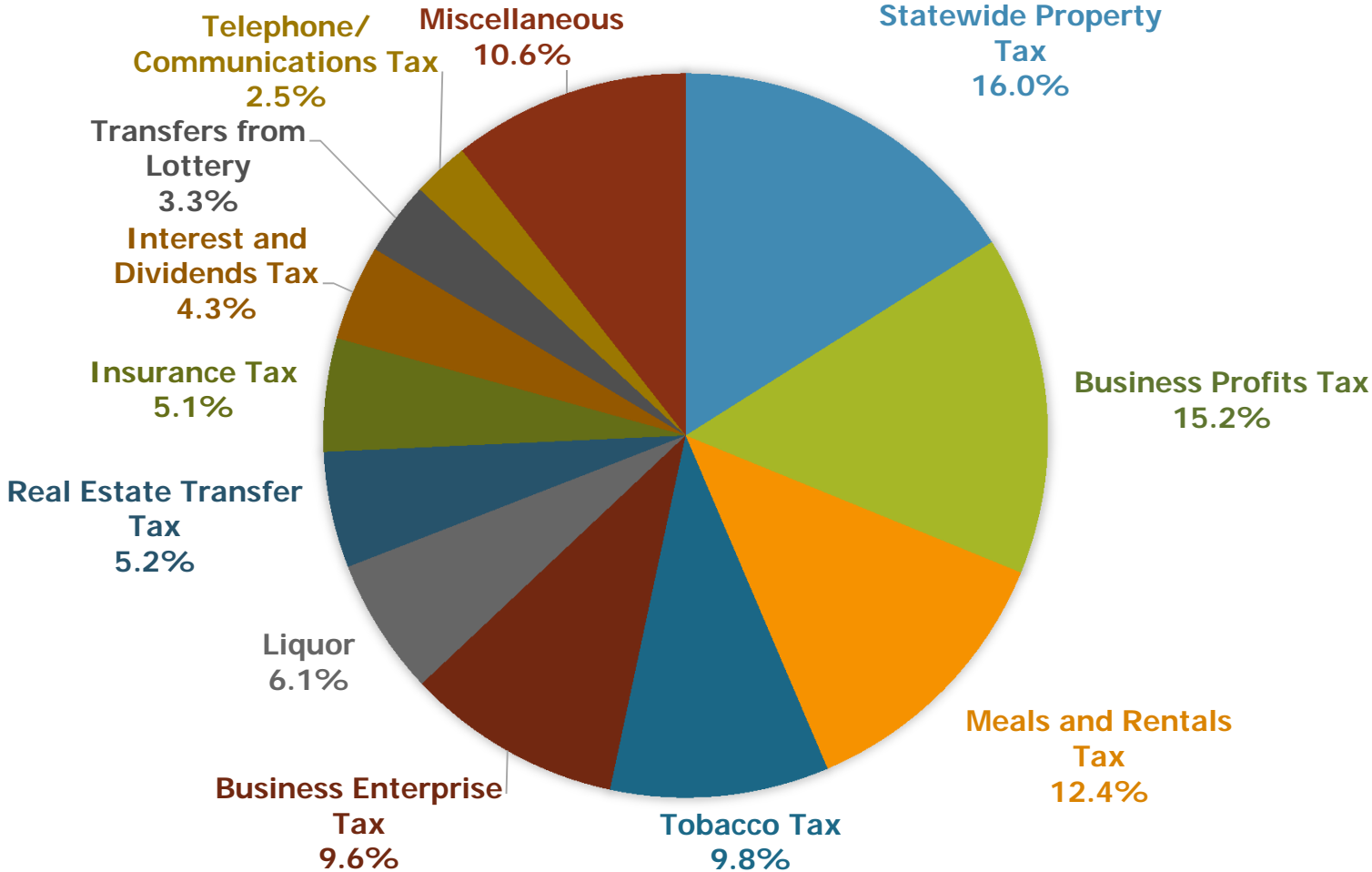


Sources Of State Revenue

- Federal Sources
 - Medicaid
 - Federal transportation aid
 - Education aid
 - Special education
 - School lunch program
 - Professional development
 - TANF
 - Veterans care aid
 - WIC supplemental nutrition
 - Water pollution and infrastructure funds
 - Many other programs and grants
- State Sources
 - Statewide Property Tax
 - Business Profits Tax
 - Business Enterprise Tax
 - Road Toll (gasoline tax)
 - Tobacco Tax
 - Interest And Dividends Tax
 - Real Estate Transfer Tax
 - Meals And Rentals Tax
 - Insurance Tax
 - Communications Tax
 - Other taxes and sales
 - Fees and settlements
 - Fines

State Collection: General And Education Trust Funds

SFY 2015 State Revenue Collected



New Hampshire Taxes: Sources And Destinations

	Principal Taxes	SFY 2015 (Millions)	Rate	Percent of SFY 2015 State Budget
General Fund	Business Profits Tax ¹	\$282	7.00%	5.2%
	Meals And Rentals Tax ²	\$273	9.00%	5.0%
	Tobacco Tax	\$129	\$1.00/pack	2.4%
	Insurance Tax	\$114	1.25%	2.1%
	Interest And Dividends Tax	\$97	5.00%	1.8%
	Real Estate Transfer Tax	\$79	\$0.50/\$100	1.5%
	Business Enterprise Tax ¹	\$72	0.25%	1.3%
Education Trust Fund	Statewide Property Tax	\$363	Varies – Fixed Target	6.7%
	Business Enterprise Tax	\$146	0.50%	2.7%
	Tobacco Tax	\$93	\$0.78/pack	1.7%
	Business Profits Tax	\$61	1.50%	1.1%
	Real Estate Transfer Tax	\$39	\$0.25/\$100	0.7%
	Meals And Rentals Tax ²	\$9	9.00%	0.2%
Highway Fund	Road Toll (gasoline tax)	\$182	\$0.222/gal.	3.4%
	Motor Vehicle Fees	\$117	Varies – By Vehicle Type	2.2%

¹ The General Fund rates for both the Business Profits Tax and the Business Enterprise Tax have been reduced to 6.70 percent and 0.22 percent since SFY 2015.

² Tax receipts from rentals go to the Education Trust Fund while receipts from meals and rooms transactions go to the General Fund. Both are taxed at the same rate. 19

New Hampshire Taxes: Sources And Destinations

	Principal Taxes	SFY 2015 (Millions)	Rate	Percent of SFY 2015 State Budget
General Fund	Business Profits Tax ¹	\$282	7.00%	5.2%
	Meals And Rentals Tax ²	\$273	9.00%	5.0%
	Tobacco Tax	\$129	\$1.00/pack	2.4%
	Insurance Tax	\$114	1.25%	2.1%
	Interest And Dividends Tax	\$97	5.00%	1.8%
	Real Estate Transfer Tax	\$79	\$0.50/\$100	1.5%
	Business Enterprise Tax ¹	\$72	0.25%	1.3%
Education Trust Fund	Statewide Property Tax	\$363	Varies – Fixed Target	6.7%
	Business Enterprise Tax	\$146	0.50%	2.7%
	Tobacco Tax	\$93	\$0.78/pack	1.7%
	Business Profits Tax	\$61	1.50%	1.1%
	Real Estate Transfer Tax	\$39	\$0.25/\$100	0.7%
	Meals And Rentals Tax ²	\$9	9.00%	0.2%
Highway Fund	Road Toll (gasoline tax)	\$182	\$0.222/gal.	3.4%
	Motor Vehicle Fees	\$117	Varies – By Vehicle Type	2.2%

¹ The General Fund rates for both the Business Profits Tax and the Business Enterprise Tax have been reduced to 6.70 percent and 0.22 percent since SFY 2015.

² Tax receipts from rentals go to the Education Trust Fund while receipts from meals and rooms transactions go to the General Fund. Both are taxed at the same rate.

New Hampshire Taxes: Sources And Destinations

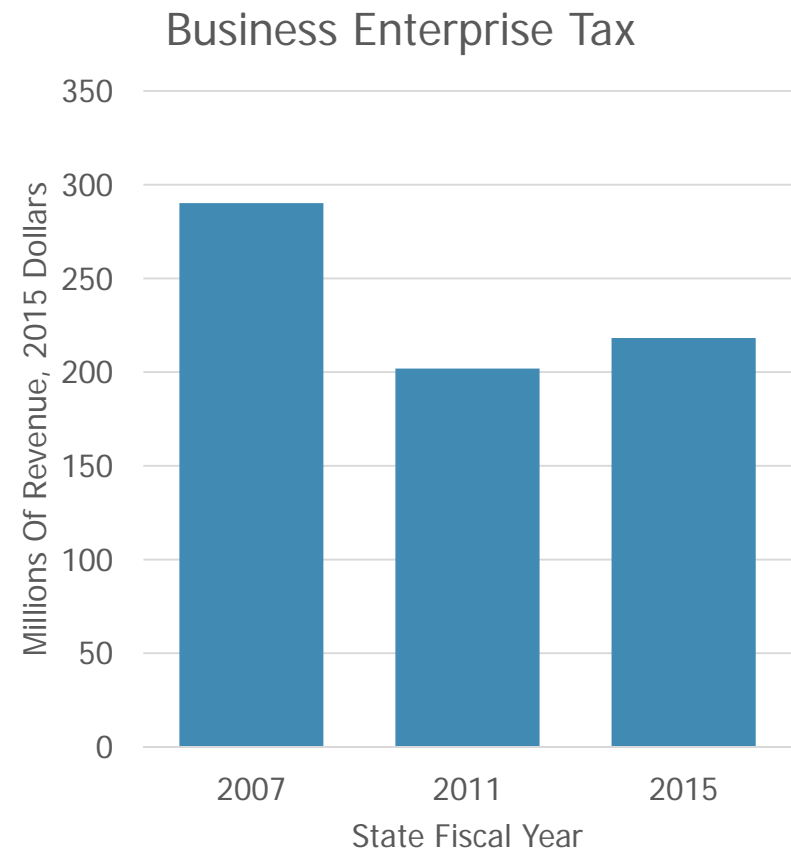
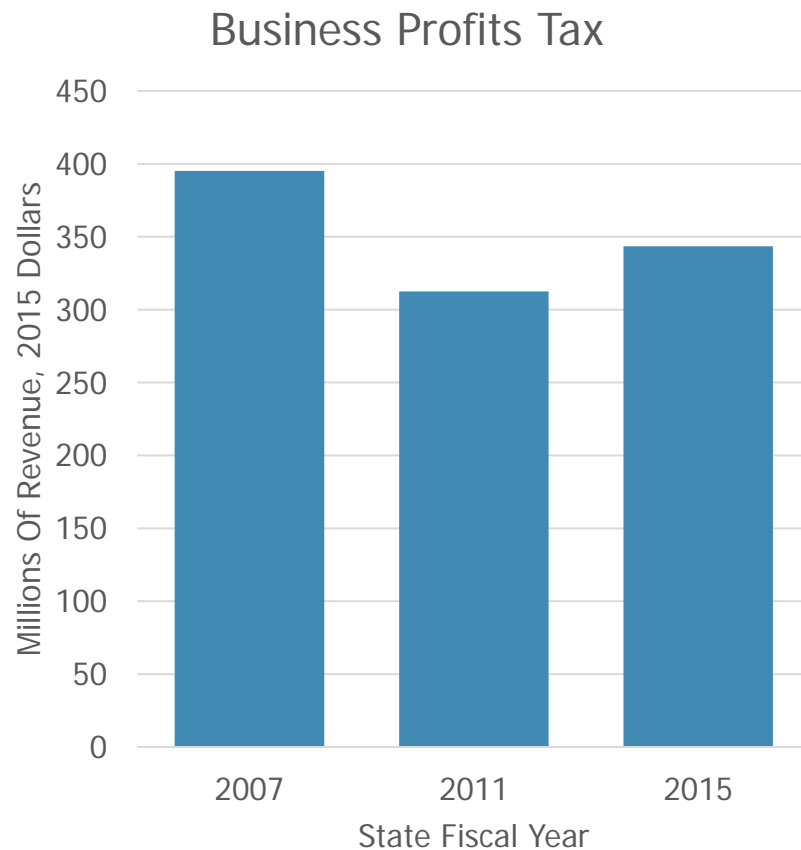
	Principal Taxes	SFY 2015 (Millions)	Rate	Percent of SFY 2015 State Budget
General Fund	Business Profits Tax ¹	\$282	7.00%	5.2%
	Meals And Rentals Tax ²	\$273	9.00%	5.0%
	Tobacco Tax	\$129	\$1.00/pack	2.4%
	Insurance Tax	\$114	1.25%	2.1%
	Interest And Dividends Tax	\$97	5.00%	1.8%
	Real Estate Transfer Tax	\$79	\$0.50/\$100	1.5%
	Business Enterprise Tax ¹	\$72	0.25%	1.3%
Education Trust Fund	Statewide Property Tax	\$363	Varies – Fixed Target	6.7%
	Business Enterprise Tax	\$146	0.50%	2.7%
	Tobacco Tax	\$93	\$0.78/pack	1.7%
	Business Profits Tax	\$61	1.50%	1.1%
	Real Estate Transfer Tax	\$39	\$0.25/\$100	0.7%
	Meals And Rentals Tax ²	\$9	9.00%	0.2%
Highway Fund	Road Toll (gasoline tax)	\$182	\$0.222/gal.	3.4%
	Motor Vehicle Fees	\$117	Varies – By Vehicle Type	2.2%

¹ The General Fund rates for both the Business Profits Tax and the Business Enterprise Tax have been reduced to 6.70 percent and 0.22 percent since SFY 2015.

² Tax receipts from rentals go to the Education Trust Fund while receipts from meals and rooms transactions go to the General Fund. Both are taxed at the same rate.

Changes In Tax Revenues

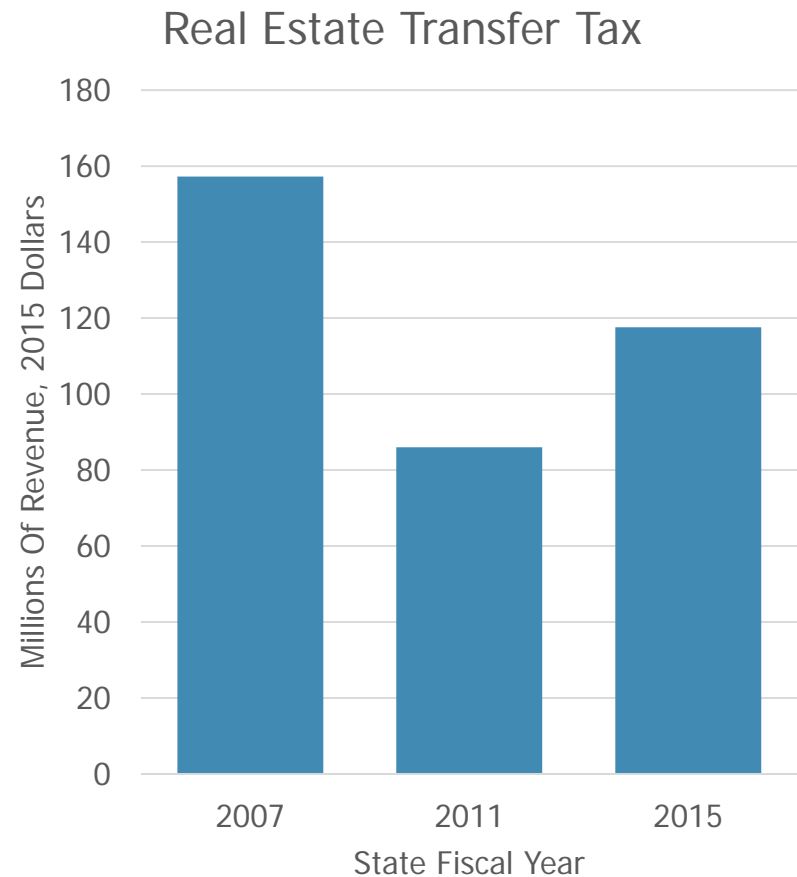
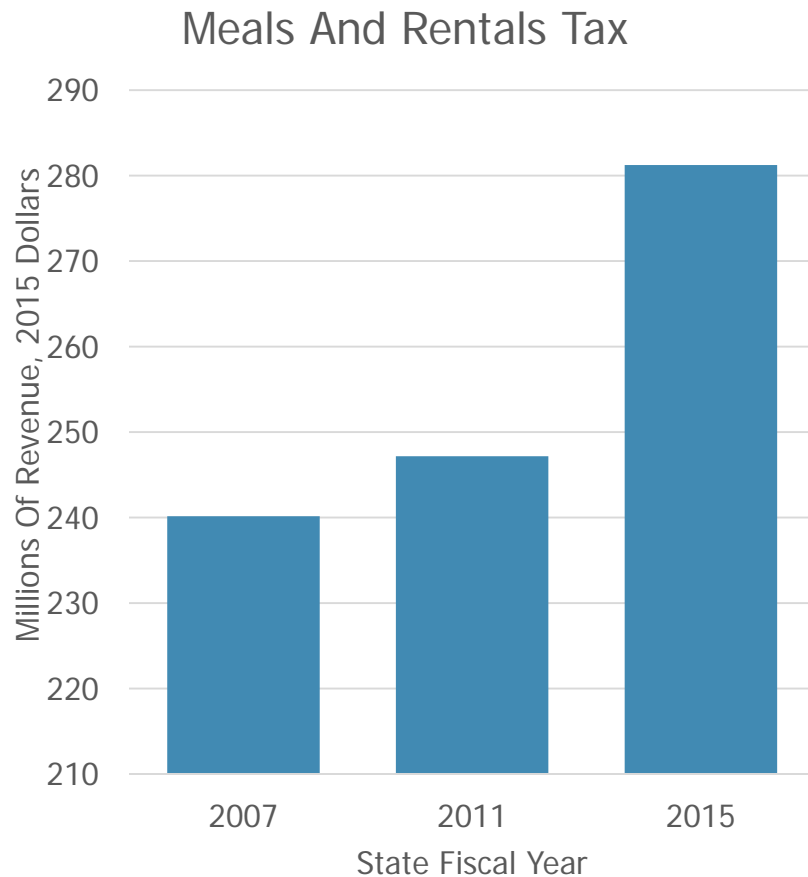
Inflation-adjusted Change In Select NH Taxes: SFY 2007, SFY 2011, SFY 2015



Note: Inflation adjustments completed using CPI-U, Northeast. All dollars are 2015.

Changes In Tax Revenues

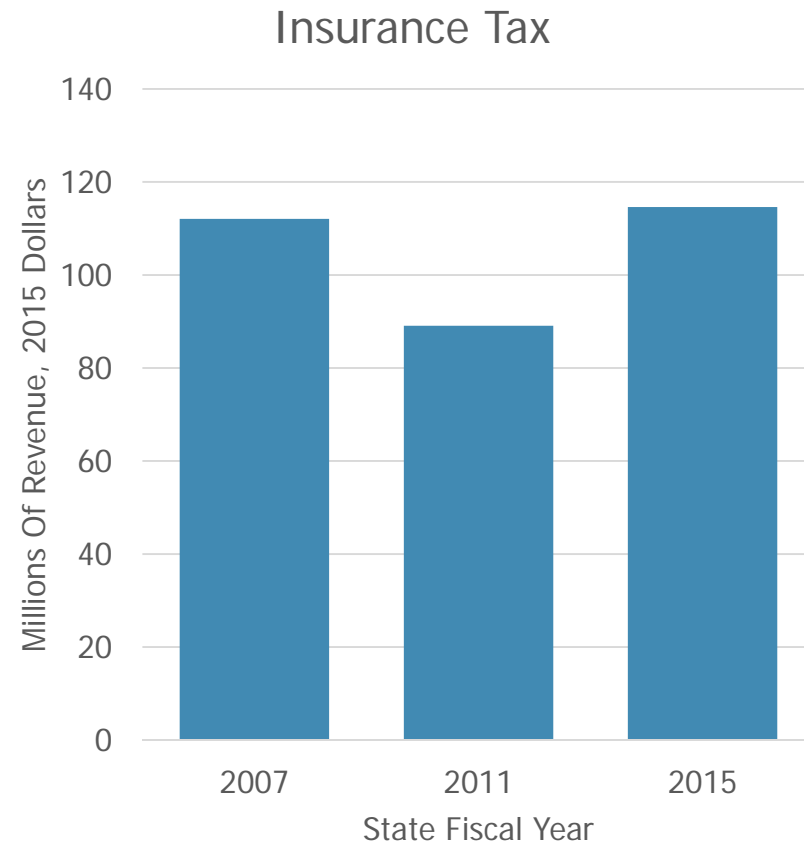
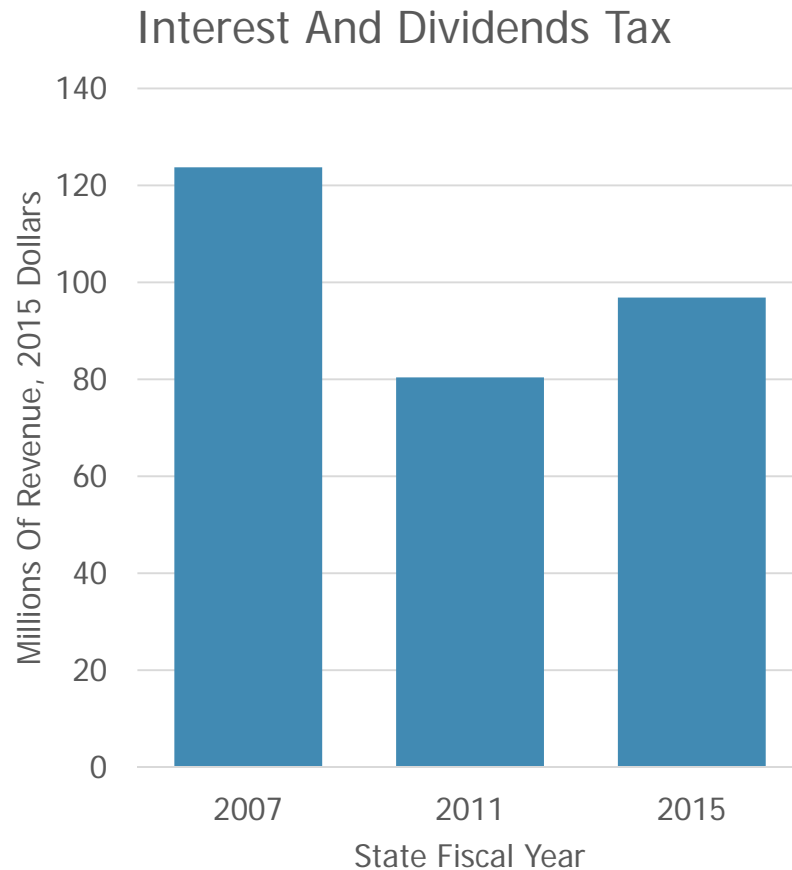
Inflation-adjusted Change In Select NH Taxes: SFY 2007, SFY 2011, SFY 2015



Note: Inflation adjustments completed using CPI-U, Northeast. All dollars are 2015.

Changes In Tax Revenues

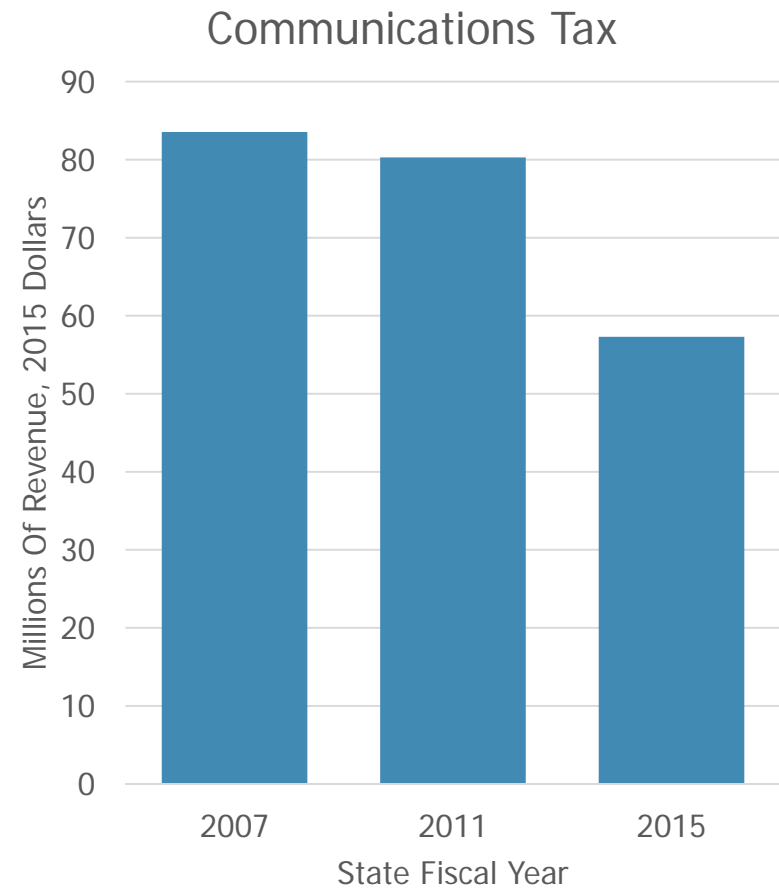
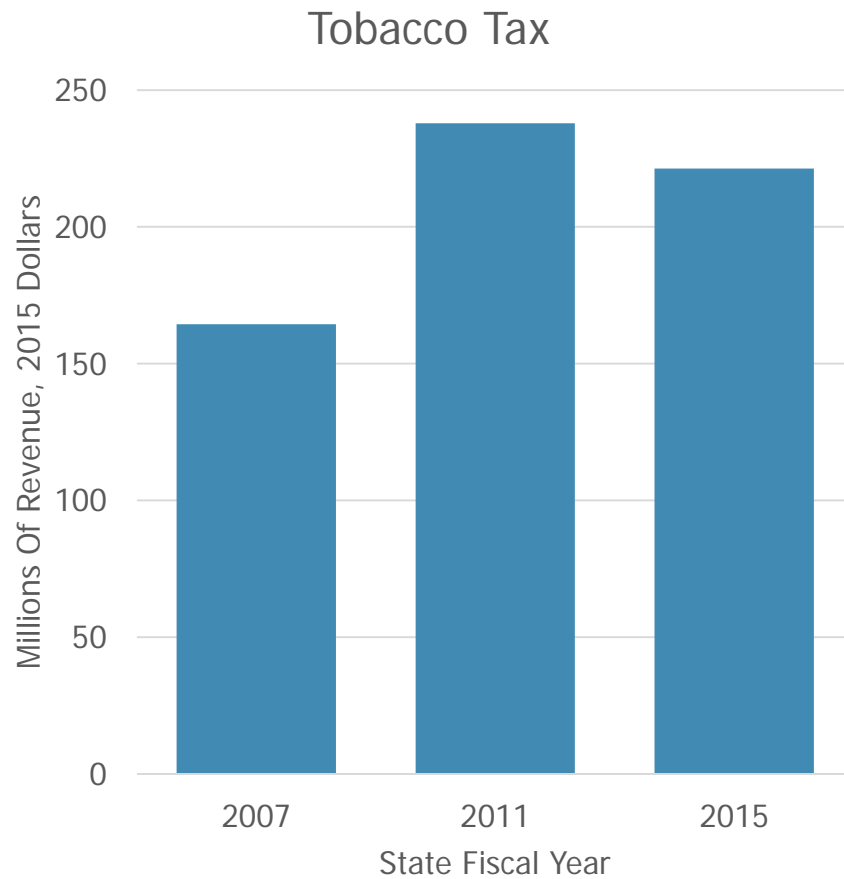
Inflation-adjusted Change In Select NH Taxes: SFY 2007, SFY 2011, SFY 2015



Note: Inflation adjustments completed using CPI-U, Northeast. All dollars are 2015.

Changes In Tax Revenues

Inflation-adjusted Change In Select NH Taxes: SFY 2007, SFY 2011, SFY 2015

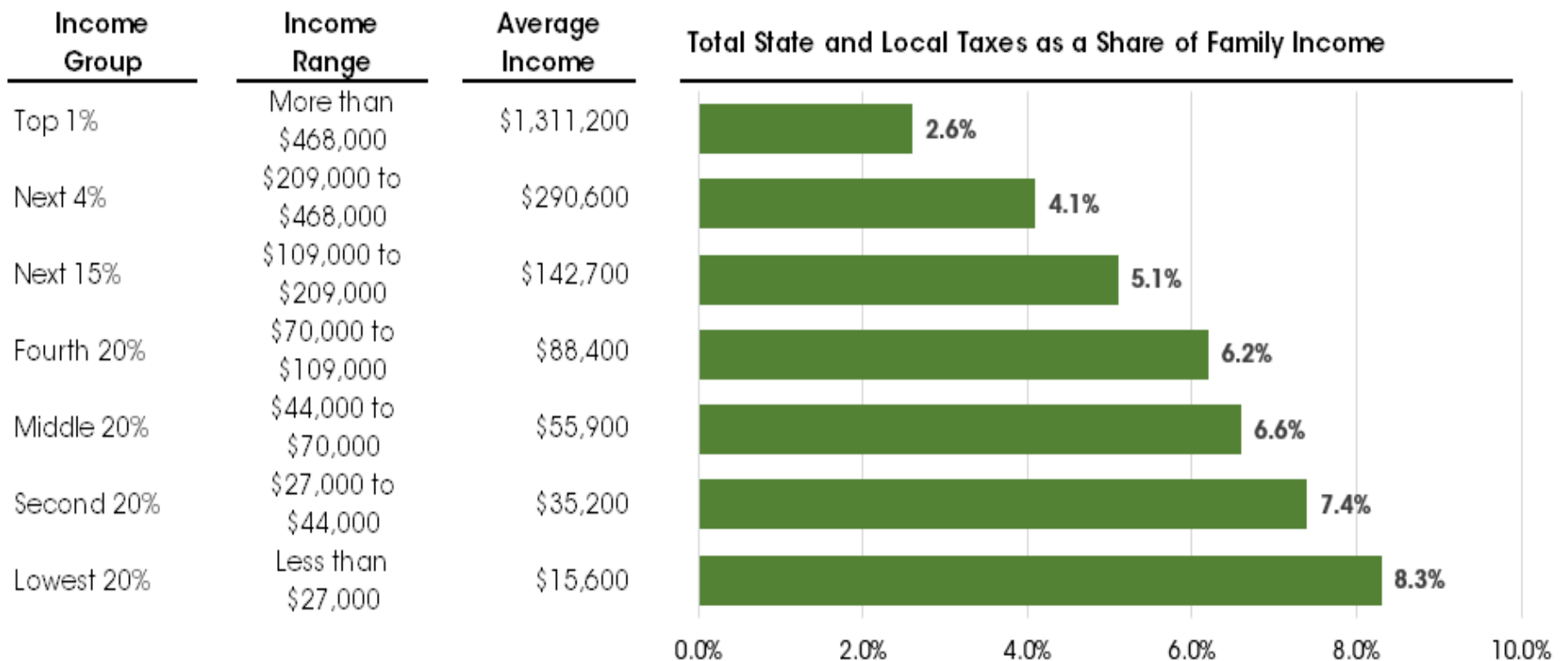


Note: Inflation adjustments completed using CPI-U, Northeast. All dollars are 2015.

State And Local Taxes Have Uneven Impact

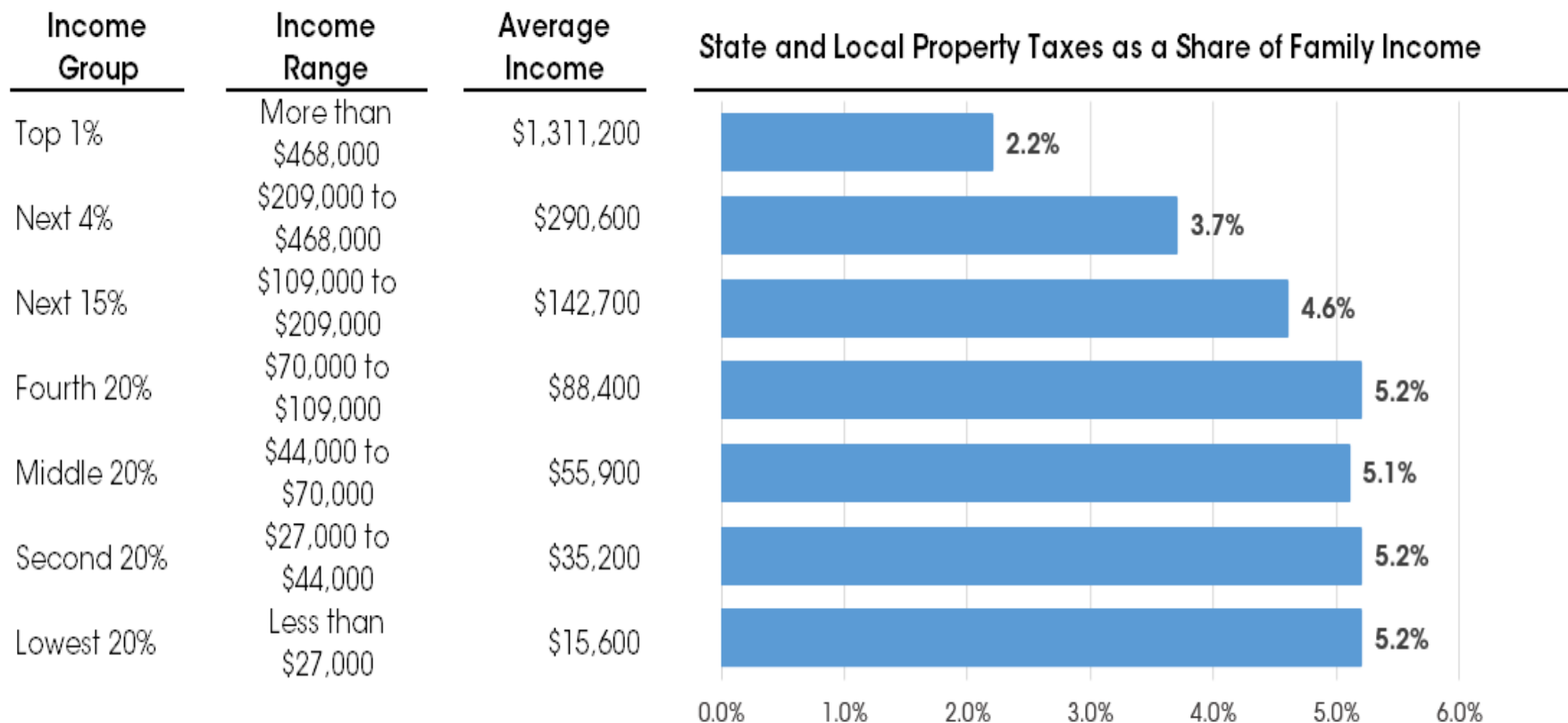
Low-income Granite Staters Have An Effective Tax Rate Higher Than Those From Other Groups, According To This Model

Total State And Local Taxes In New Hampshire, Non-Elderly Taxpayers, 2015



State And Local Property Tax Impact

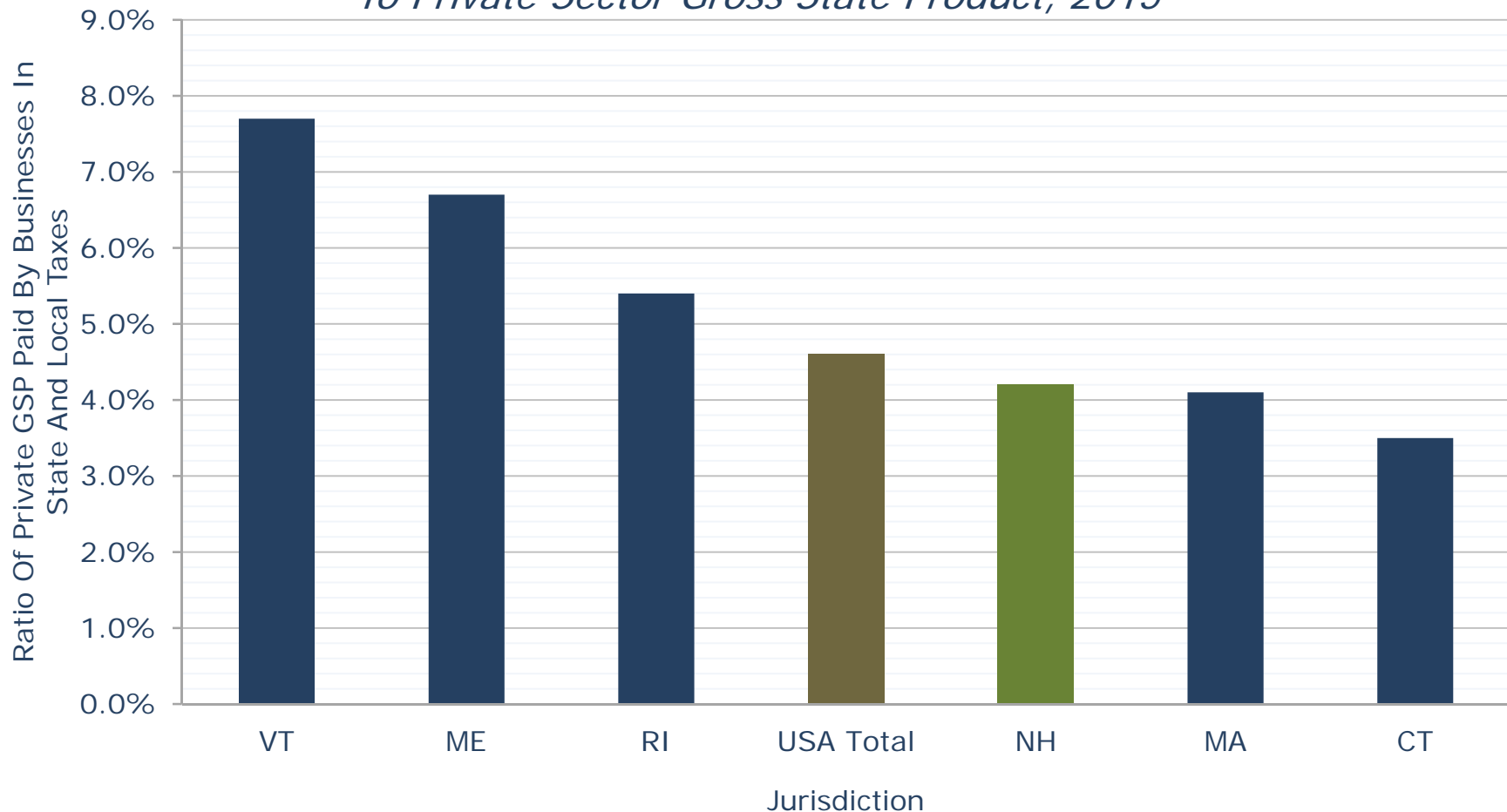
State and Local Property Taxes in New Hampshire, Non-Elderly Taxpayers, 2015



One Measure Of State Business Taxation

New Hampshire Ranks 15th Lowest

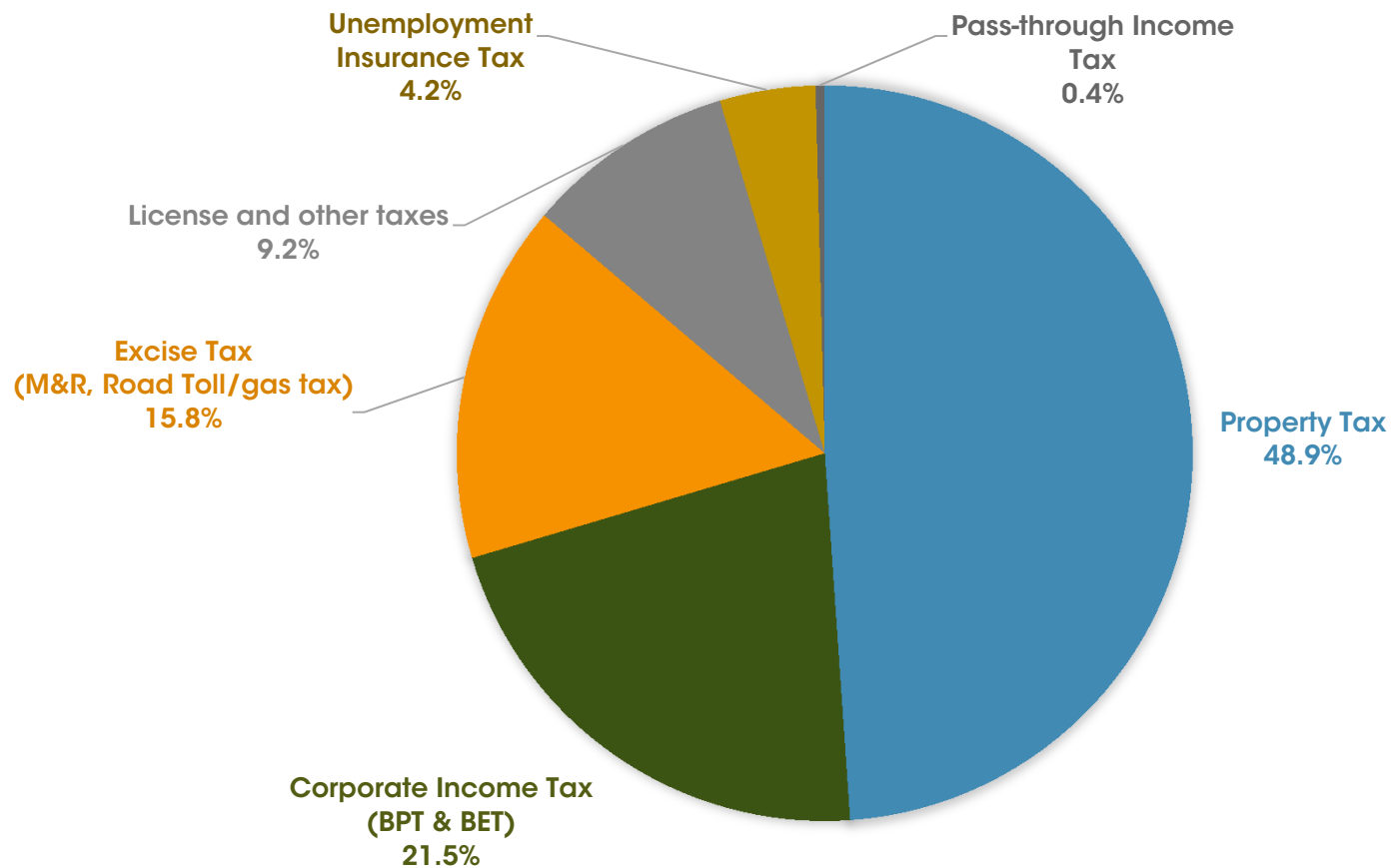
*Ratio Of Total State And Local Taxes Paid By Business
To Private Sector Gross State Product, 2015*



State And Local Taxes Paid By Businesses

NH State Business Taxes Are Less Than A Quarter Of All Taxes Paid

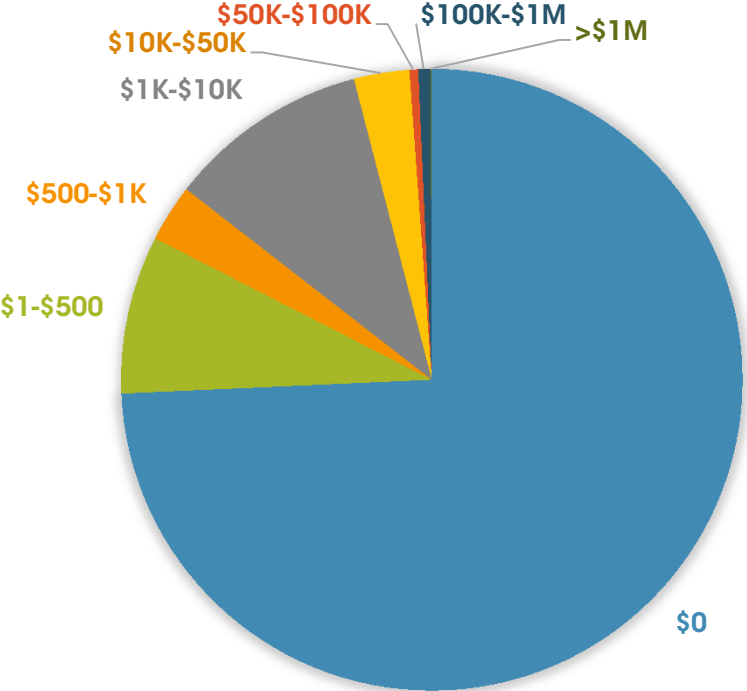
Fiscal Year 2015



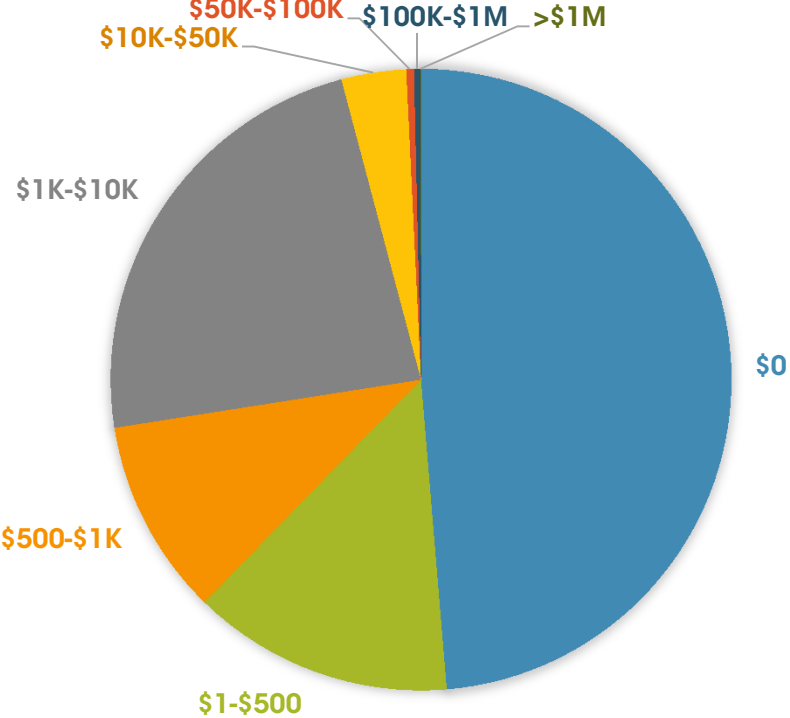
Business Tax Incidence

Most Businesses Have No BPT Liability, Almost Half Have No BET Liability
Number Of Businesses By Liability, Tax Year 2014, DRA Draft Data

BPT INCIDENCE BY LIABILITY



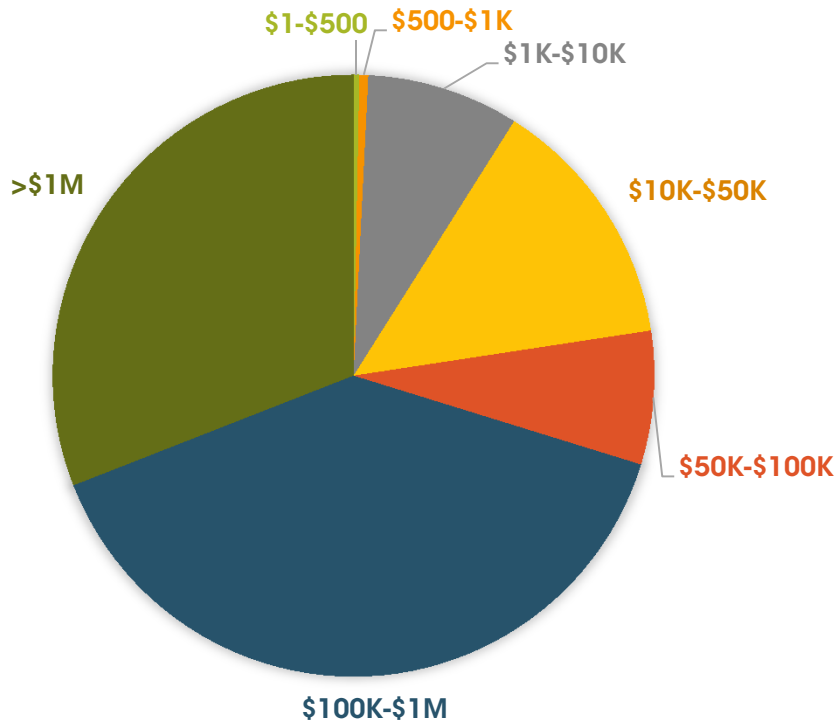
BET INCIDENCE BY LIABILITY



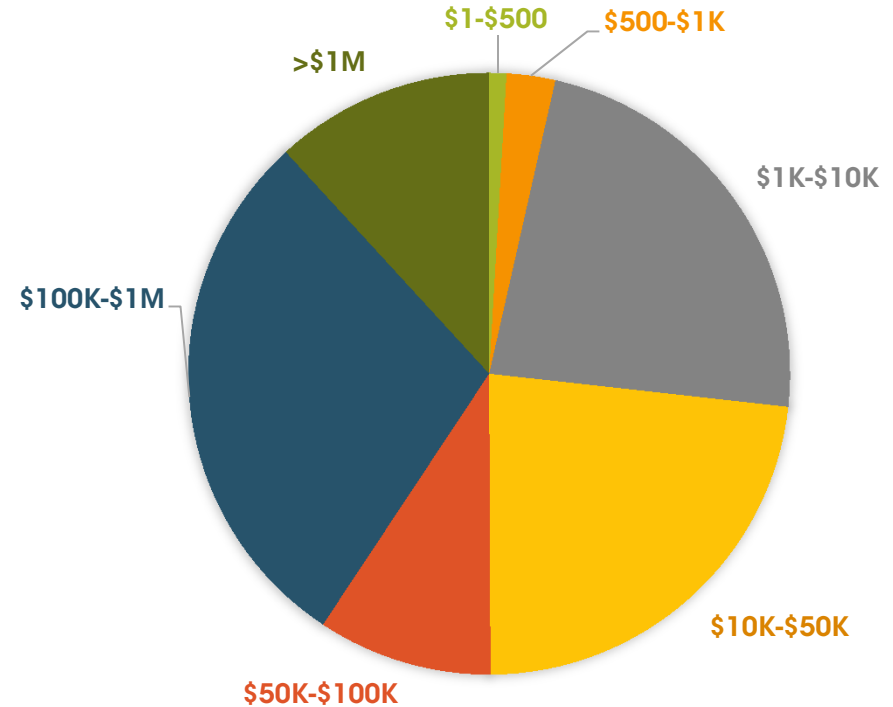
Business Tax Payments

Largest BPT And BET Liabilities Fall On Few Businesses
Tax Revenue By Business Liability, Tax Year 2014, DRA Draft Data

BPT PAYMENTS BY LIABILITY



BET PAYMENTS BY LIABILITY



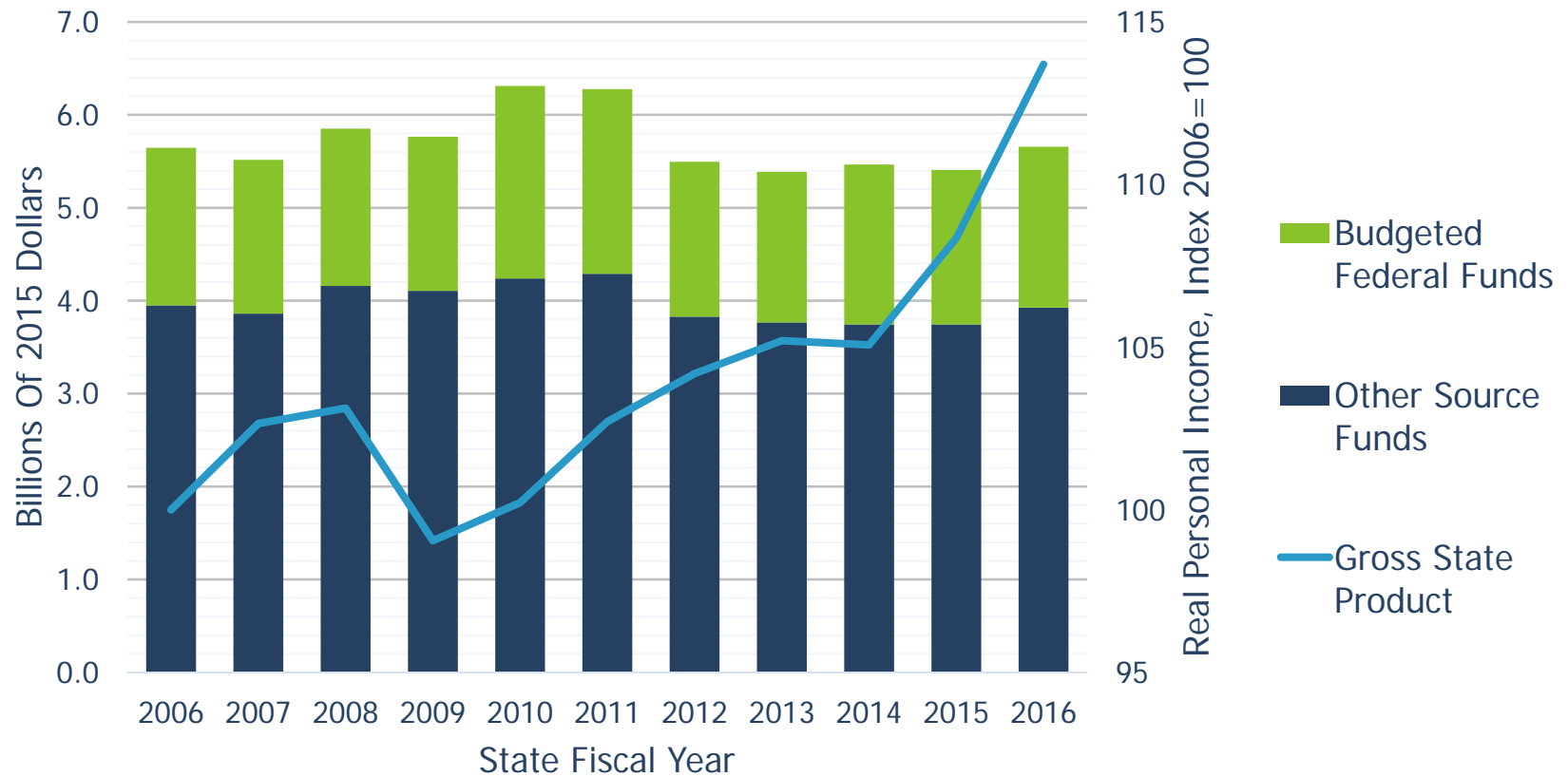
Selected Recent Tax Law Changes

Many Changes, Cuts Muddle Analyses Of Individual Tweaks

Legislation	Change	Eff. Date
HB 187 ('11)	Extend BET carryforwards to ten years	7.1.14
SB 326 ('12)	Exempts trusts from I&D taxation, to beneficiaries	12.31.16
SB 327 ('12)	Economic Revitalization Zone credit	8.15.14
HB 1418 ('12)	Excluded Internet access from CST	6.21.12
SB 211 ('15)	BET employee leasing company elective	7.1.15
SB 9 ('15)	BPT/BET rate reductions, phase-in	12.31.16
HB 2 ('15)	R&D tax credit from \$2 mil to \$7 mil	7.1.17
SB 232 ('15)	Exempts leases for less than 99 years from RETT	7.1.15
SB 239 ('16)	Internal Revenue Code synchronization	1.1.17
SB 342 ('16)	BPT Sales or Exchange additions	1.1.16
HB 1656 ('16)	RETT exemptions for certain entity exchanges	6.21.16

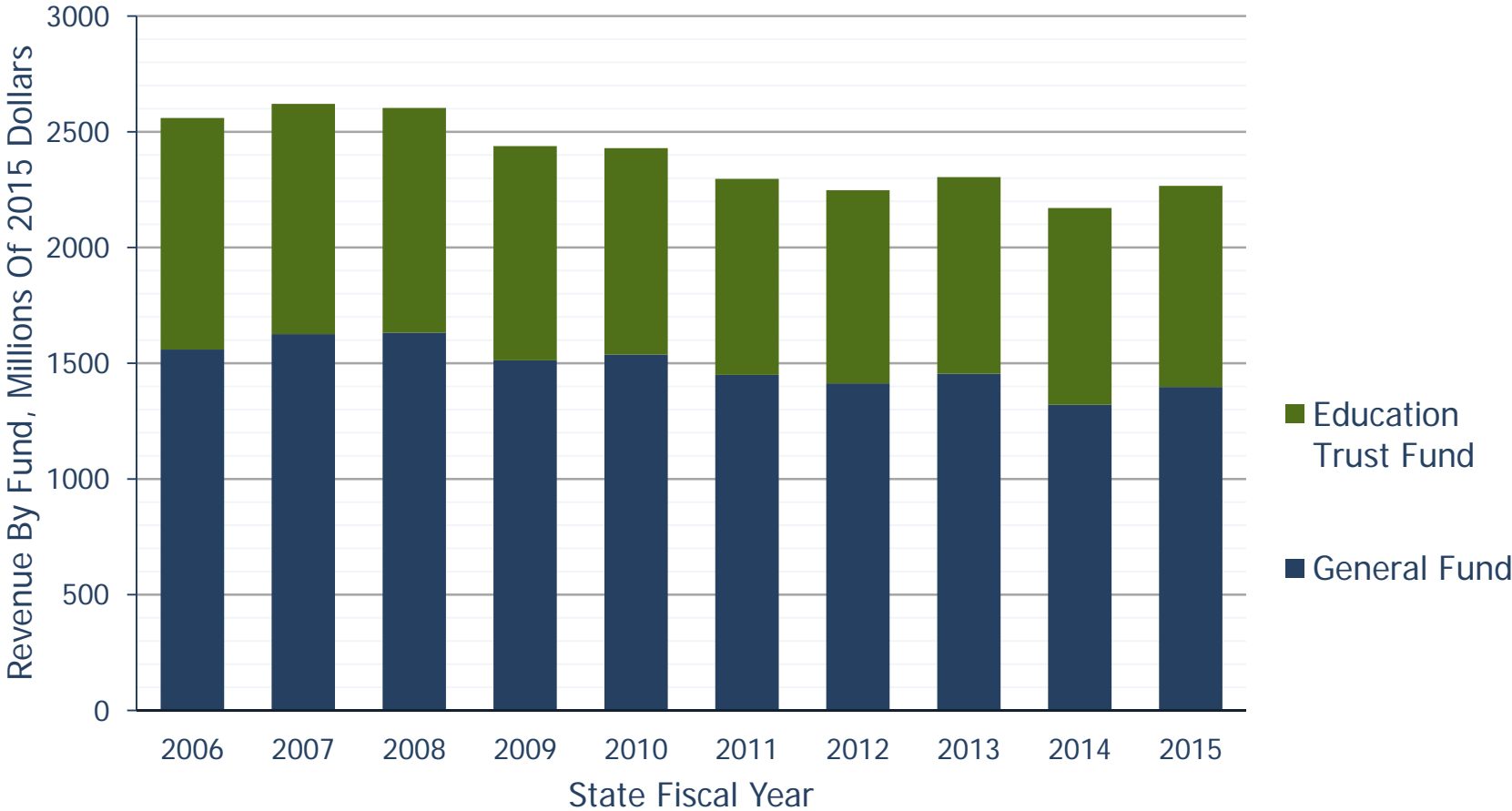
Economic And Budget Trends

Inflation-adjusted Budget, Federal Funds And Other Sources, And Gross State Product



General And Education Trust Fund Revenue

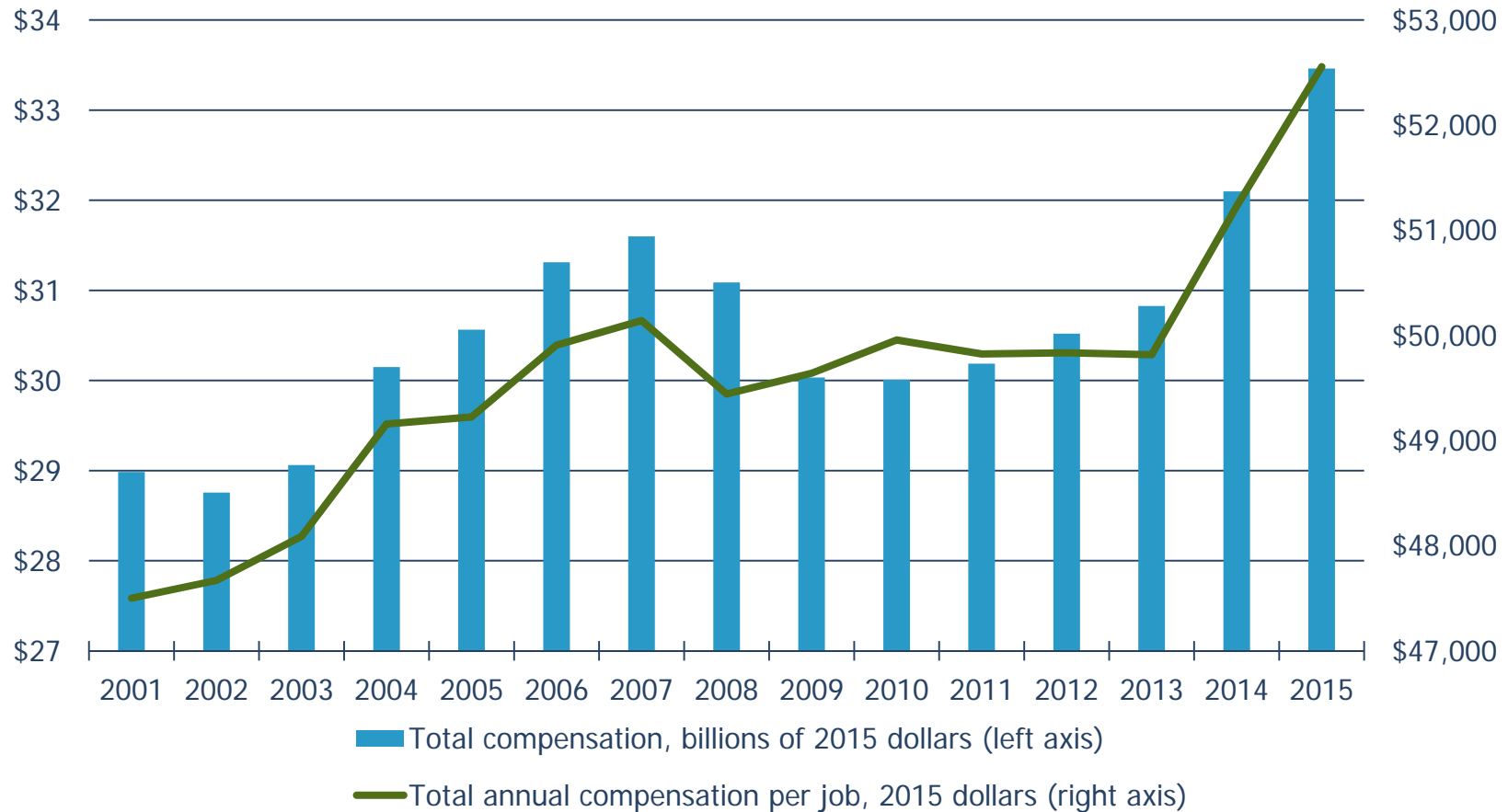
Inflation-adjusted 2015 Dollars



SFY 2018-2019 Economic and Fiscal Orientation

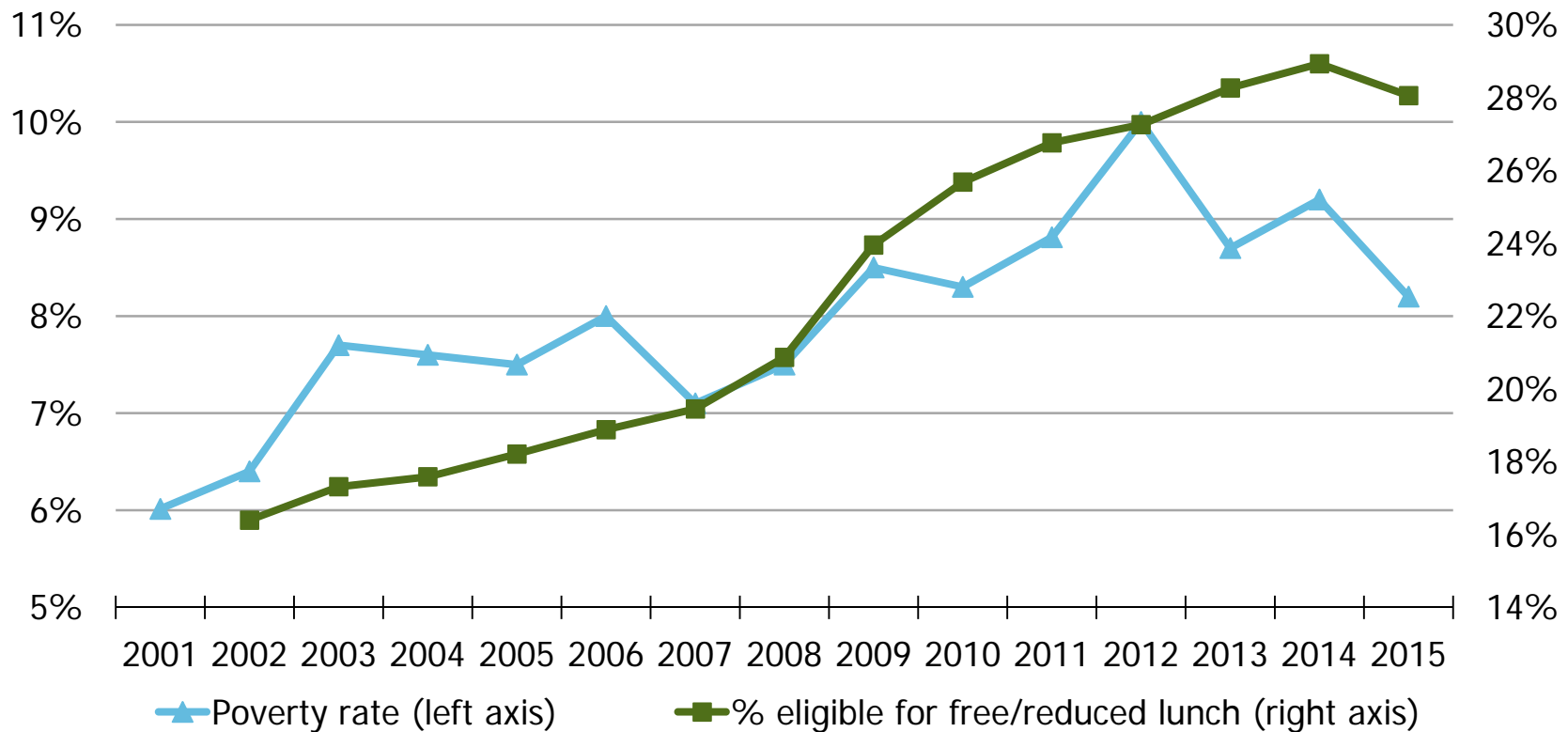
- What do key indicators suggest about the economy and State revenues?
- Where does New Hampshire's revenue come from?
- **How widespread is economic growth since the Recession?**

At First Glance, More Income For Workers...



Source: Bureau of Labor Statistics' *Quarterly Census of Employment and Wages*
 Note: Data adjusted for inflation via the Bureau of Labor Statistics' CPI-U-RS inflation index

...Yet, More Granite Staters Struggle To Make Ends Meet



Note: Public school enrollment and free/reduced lunch eligible count includes children in grades 1 through 12 only.

Source: U.S. Census Bureau, New Hampshire Department of Education

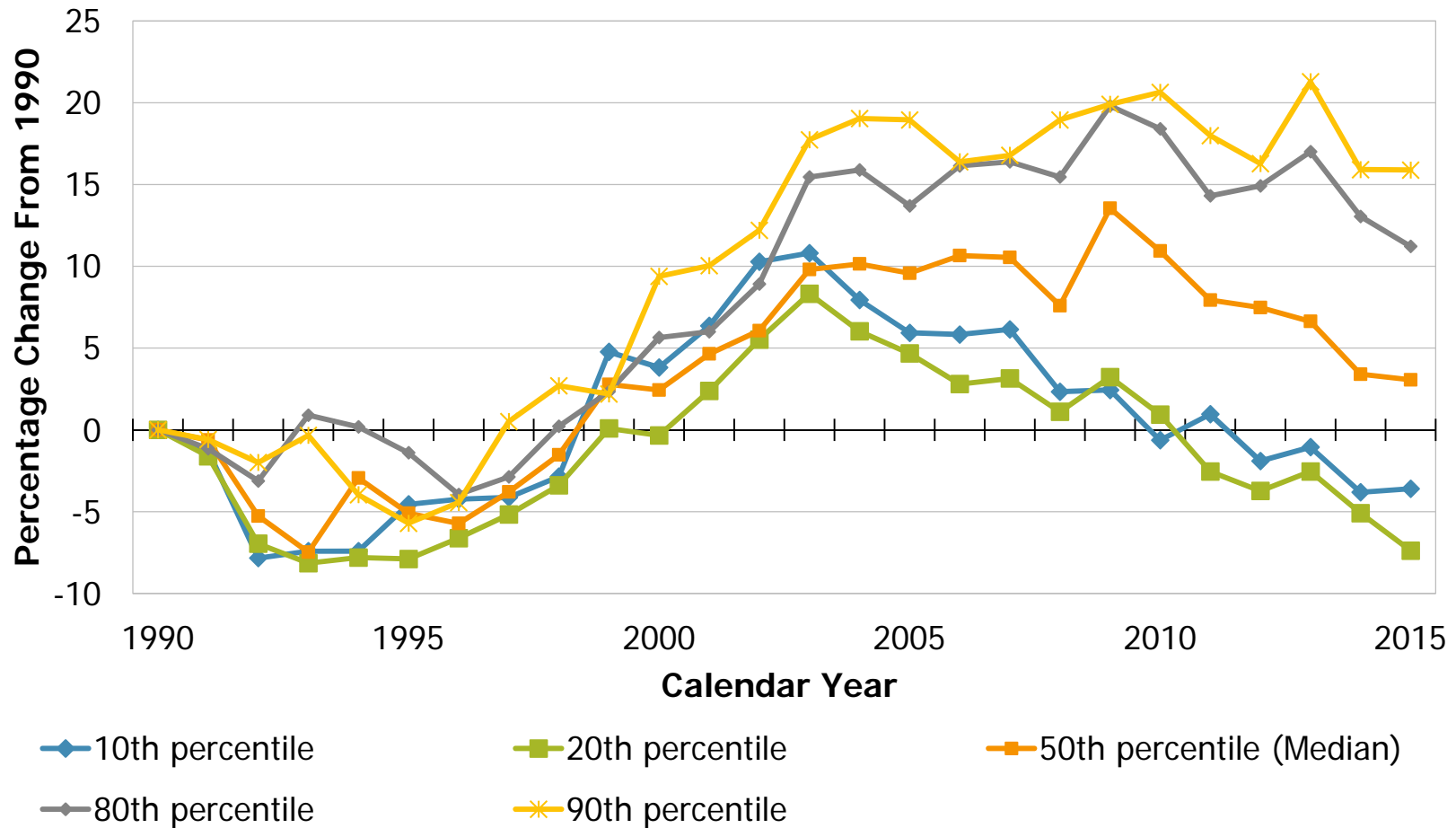
Poverty Threshold Represents Very Low Income

Select Federal Poverty Thresholds, 2015

Household Type	Poverty Threshold
Single person, under age 65	\$12,331
Single person, aged 65 and over	\$11,367
Couple under age 65	\$15,952
Couple aged 65 and older	\$14,342
Single person under 65 with one child	\$16,337
Couple with one child	\$19,078
Single person with two children	\$19,096
Couple with two children	\$24,036

Uneven Wage Growth In NH Since 1990

Cumulative Real Changes In Hourly Wages By Selected Percentile





economic opportunity, prosperity, and security for all New Hampshire residents

64 North Main Street – 3rd Floor
Concord, NH 03301
603.856.8337
www.nhfpi.org
@NHFPI