

DEPARTMENT OF REVENUE ADMINISTRATION REVISED REVENUE ESTIMATES

The Department of Revenue Administration (DRA) has developed revised FY2022 and FY2023 revenue estimates for the following taxes: Business Profits Tax (BPT), Business Enterprise Tax (BET), Meals and Rentals Tax, Tobacco Tax, Interest and Dividends Tax, Communications Services Tax, Real Estate Transfer Tax, and Utility Property Tax. The DRA estimates were calculated by adjusting FY2022 Plan based on currently available data through April, as well as expected revenues on a monthly basis for May 2022 and June 2022. Lastly, these estimates are subject to change.

DRA Taxes - FY2022 thru FY2023 Revised Revenue Estimates									
\$ in Millions	FY2022 Plan	DRA FY2022 Revised Estimates	DRA FY2022 Revised Compared to Plan			FY2023 Plan	DRA FY2023 Revised Estimates	DRA FY2023 Revised Compared to Plan	
Business Taxes	\$963.1	\$1,193.6	\$230.5	23.9%		\$957.8	\$1,160.0	\$202.2	21.1%
Meals and Rentals Tax	\$238.8	\$303.1	\$64.3	26.9%		\$245.3	\$285.9	\$40.6	16.5%
Tobacco Tax	\$247.5	\$234.6	-\$12.9	-5.2%		\$240.0	\$227.5	-\$12.5	-5.2%
Interest and Dividends Tax	\$138.0	\$157.8	\$19.8	14.4%		\$135.8	\$137.4	\$1.6	1.2%
Communications Services Tax	\$39.1	\$30.5	-\$8.6	-22.0%		\$39.1	\$28.2	-\$10.9	-27.9%
Real Estate Transfer Tax	\$197.8	\$235.2	\$37.4	18.9%		\$181.9	\$228.0	\$46.1	25.3%
Utility Property Tax	\$40.6	\$41.6	\$1.0	2.4%		\$40.6	\$41.6	\$1.0	2.4%
Total DRA Taxes	\$1,864.9	\$2,196.4	\$331.5	17.8%		\$1,840.5	\$2,108.6	\$268.1	14.6%

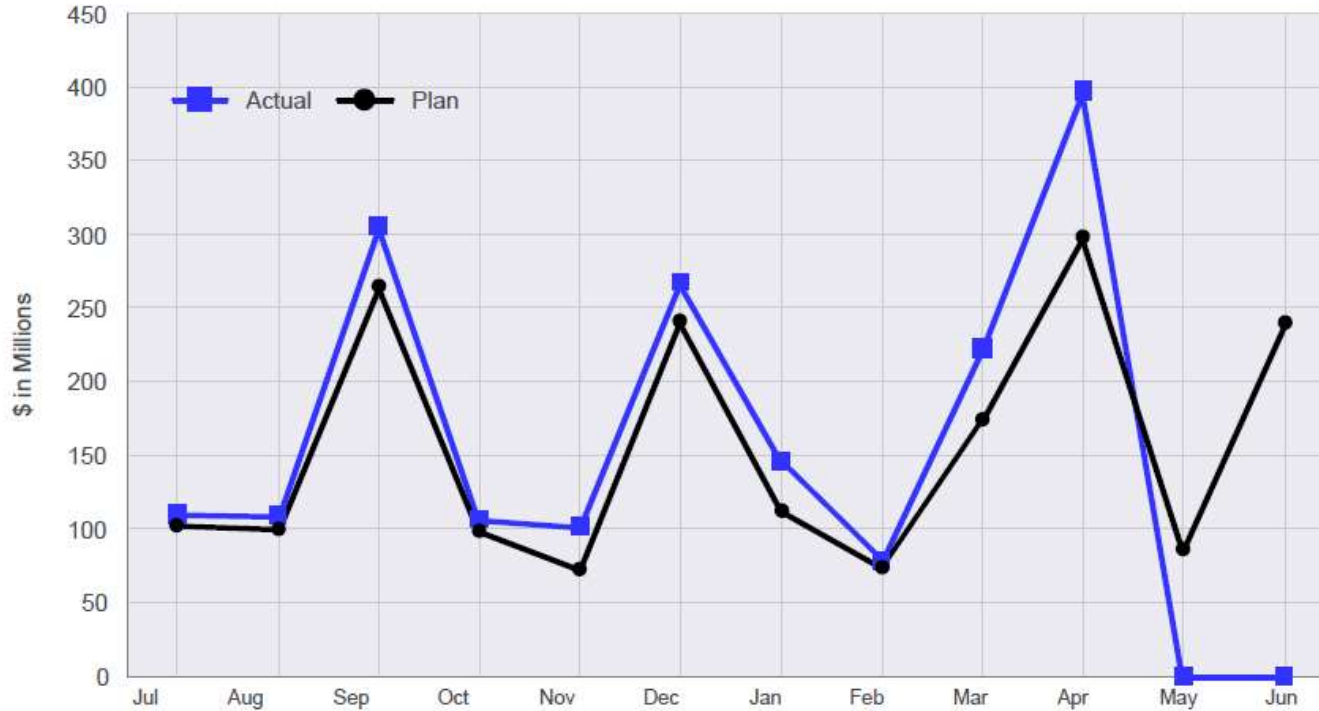
DRA expects continued volatility in economic performance in the near to long term. Elements having a direct impact on economic outlook include:

- Persisting inflation.
- Increasing interest rates.
- Low unemployment rate.
- Volatile fuel prices.
- Supply chain constraints.

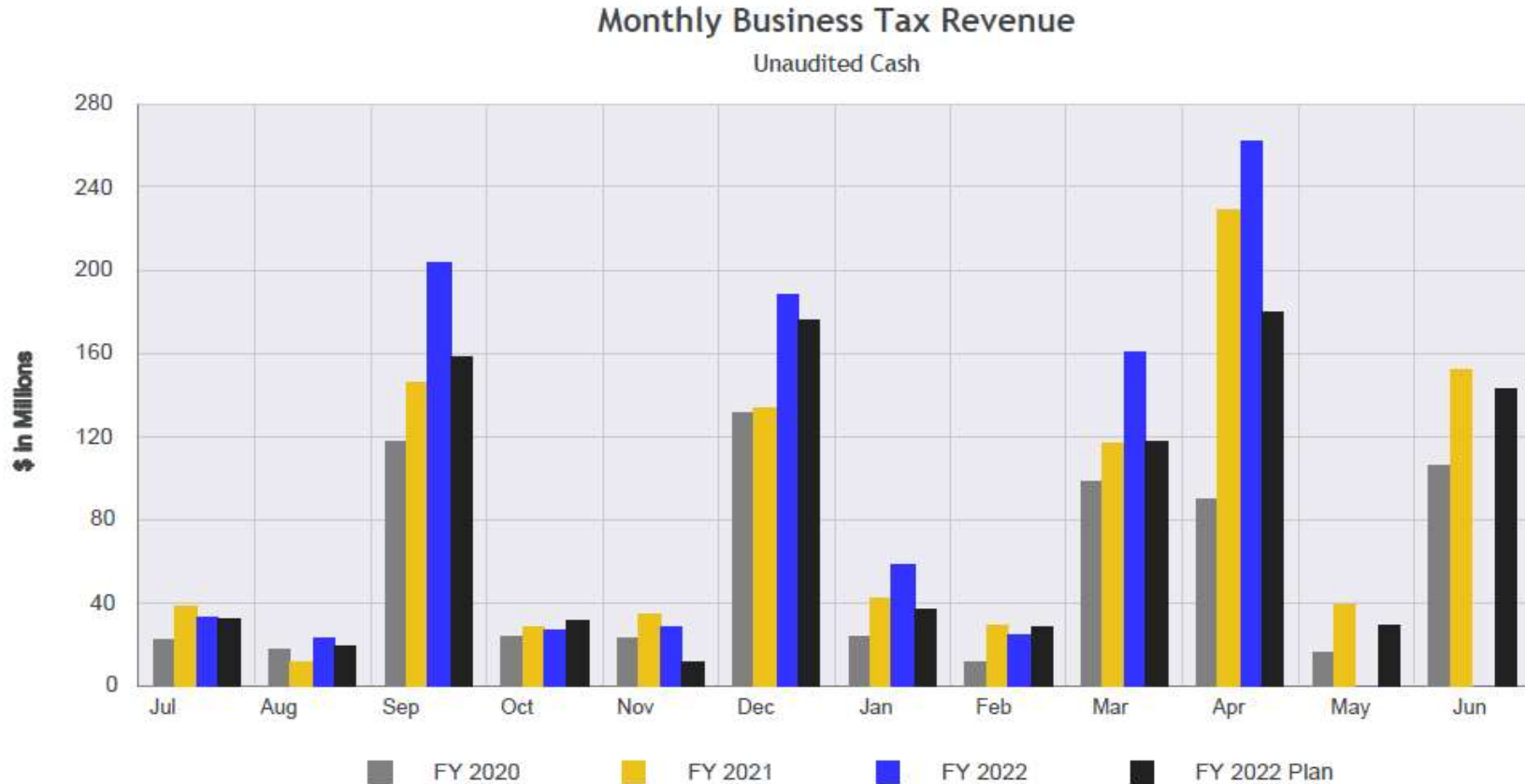
OVERVIEW OF FISCAL YEAR TO DATE REVENUES COMPARED TO PLAN

DRA Fiscal Year to Date Revenues vs. 2022 Plan for DRA Revenues

Unaudited Cash



BUSINESS TAXES BPT & BET: SPLIT 60% BPT 40% BET



Factors to consider:

- FYTD we are \$217.2m or 27.5% ahead of Plan.
- FYTD we are \$198.6m or 24.5% ahead of prior year.
- The U.S. Bureau of Economic Analysis (BEA)'s preliminary report in March 31, 2022, showed NH had a 7.9% increase in real GDP in Q4 2021 as compared to Q3 2021.

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- The BEA estimated a tempered growth in U.S. corporate profits with a quarter over quarter change of Q3 2021 of +3.4% to Q4 2021 of +0.7%.
- Kiplinger forecasts a 2.5% growth in GDP in 2022 compared to 2021, down from 5.7% in 2021 compared to 2020.
- Kiplinger forecasts 6.0% annual inflation at the end of 2022, down from the 8.5% current annual inflation rate.

DRA Taxes - FY2022 thru FY2023 Revised Revenue Estimate Ranges					
Business Taxes	DRA FY2022 Revised Estimate	DRA FY2022 Revised Compared to Plan	DRA FY2023 Revised Estimate	DRA FY2023 Revised Compared to Plan	
\$ in Millions	\$1,193.6	23.9%	\$1,160.0	21.1%	

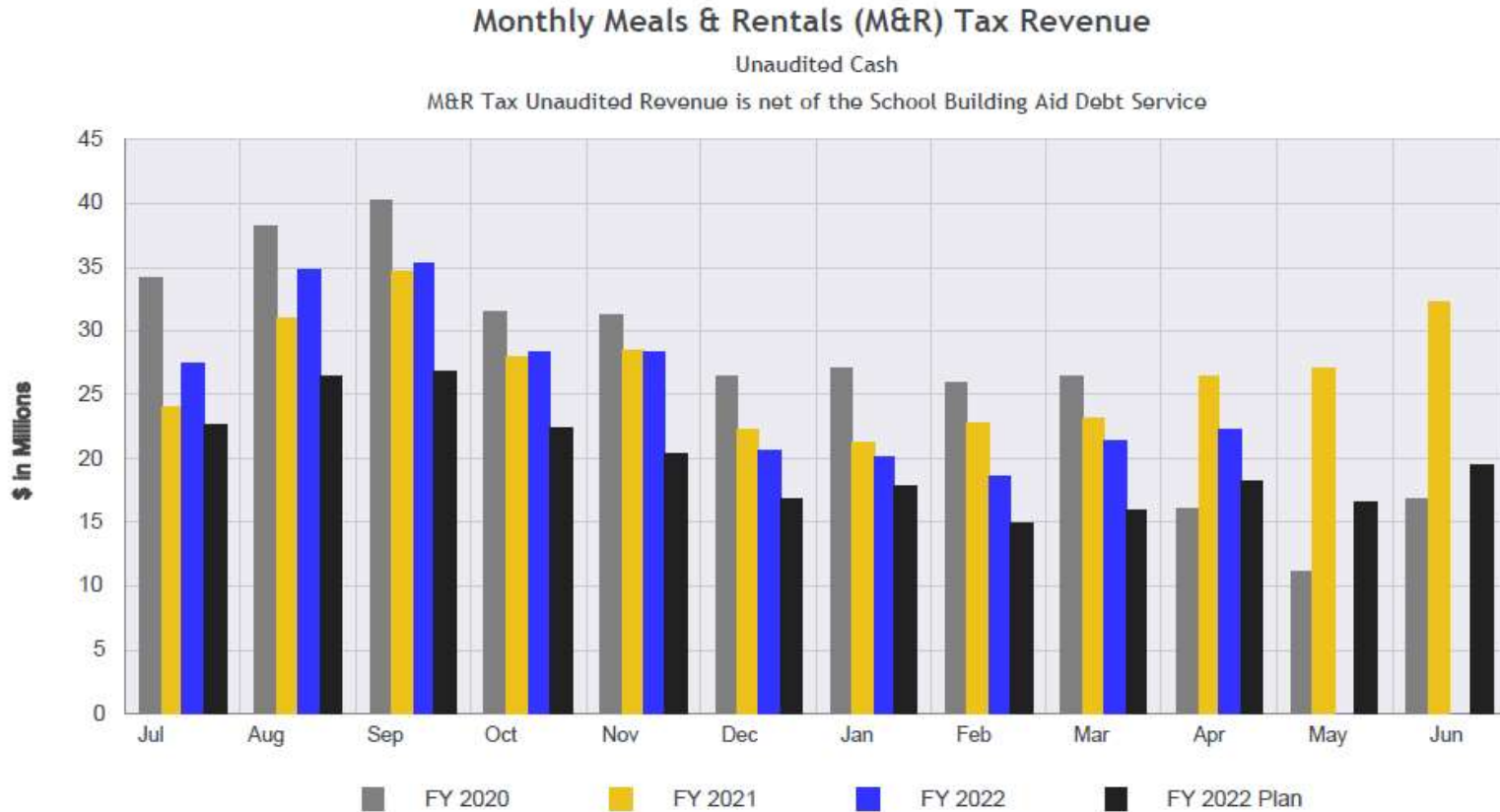
DRA Revised FY2022 Estimate:

- Actual with Prior Year
 - June estimates are the largest source of remaining revenue for the year. May and June revenue from last year is roughly equal to the typical increase in Q2 estimates compared to Q1 estimates.

DRA Revised FY2023 Estimate:

- 3.2% base growth applied to DRA FY22 revised estimate which is equal to the original year over year growth rate from HB 1, less \$71.8M surplus items for FY23.

MEALS & RENTALS TAX (HISTORICAL BREAKDOWN: 80% MEALS, 17% ROOMS AND 3% MOTOR VEHICLES)



Factors to consider:

- FYTD \$54.6m or 26.9% above Plan.
- FYTD -\$4.7m or -1.8% below prior year.
- Return to “normal” after initial COVID impacts.
- Inflation and cost of meals, rooms and motor vehicle rentals.
- School Building Aid (SBA) Transfer in accordance with RSA 78-A:26, I (a).

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- Municipal Revenue Fund monthly transfer in accordance with RSA 78-A:26, as amended by HB2 (Ch.91, Laws of 2021).

DRA Taxes - FY2022 thru FY2023 Revised Revenue Estimate Ranges					
Meals & Rentals Tax	DRA FY2022 Revised Estimate	DRA FY2022 Revised Compared to Plan	DRA FY2023 Revised Estimate	DRA FY2023 Revised Compared to Plan	
\$ in Millions	\$303.1	26.9%	\$285.9	16.5%	

DRA Revised FY2022 Estimate:

- Sustaining % vs Plan
 - Performance vs Plan through April 2022 of 26.9% applied to May and June Plan.
 - Throughout FY2022 revenue has generally been 20% - 30% ahead of Plan.
 - This is net of the Municipal Revenue Fund Transfer.

DRA Revised FY2023 Estimate:

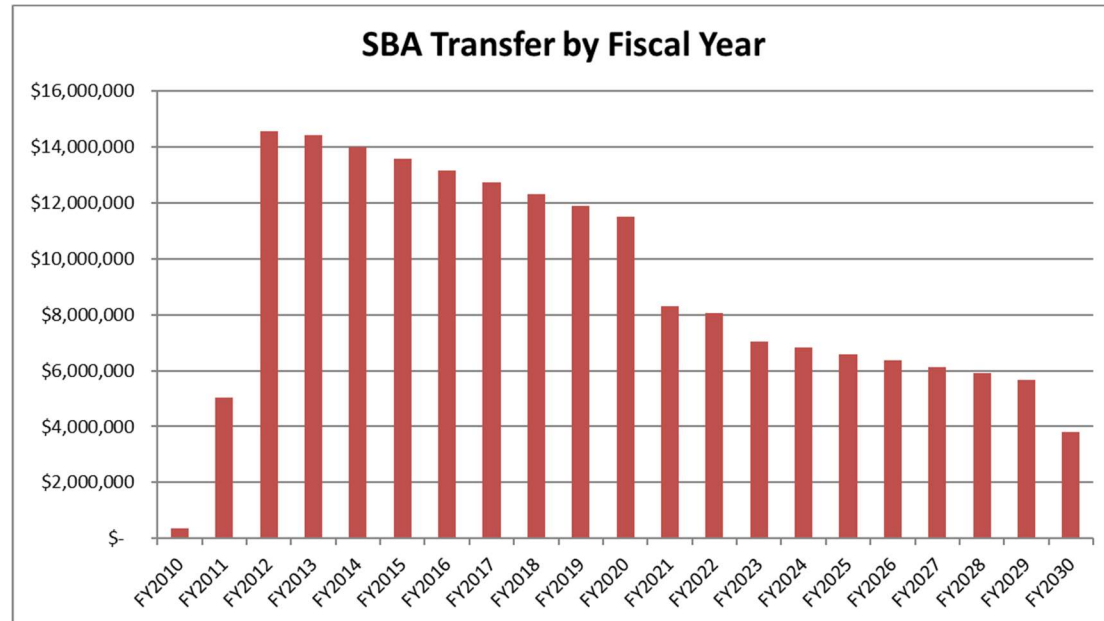
- 5% growth equal to the original year over year growth from HB1, applied to the new FY22 gross estimate, less the following adjustments:
 - -\$7.0M FY 2023 SBA transfer
 - -\$120.1M Municipal Transfer
 - -\$19.0M M&R rate reduction surplus statement item

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The **School Building Aid Transfer** is transferred every month in accordance with RSA 78-A:26, I (a) and is shown in the schedule below.

The SBA transfer is the amount necessary to provide payments of principal and interest on the bonds and notes authorized under RSA 198:15-a, II for the fiscal years ending June 30, 2009 through June 30, 2030.

School Building Aid Debt Service		
	Monthly Transfers from Gross M&R	FY Total Bond Payments
FY2010	\$ -	\$ 365,508
FY2011	\$ 419,185	\$ 5,030,216
FY2012	\$ 1,214,985	\$ 14,579,816
FY2013	\$ 1,202,038	\$ 14,424,456
FY2014	\$ 1,166,713	\$ 14,000,560
FY2015	\$ 1,131,367	\$ 13,576,401
FY2016	\$ 1,096,028	\$ 13,152,341
FY2017	\$ 1,060,697	\$ 12,728,361
FY2018	\$ 1,025,953	\$ 12,311,441
FY2019	\$ 991,880	\$ 11,902,560
FY2020	\$ 957,538	\$ 11,490,451
FY2021	\$ 692,656	\$ 8,311,872
FY2022	\$ 672,516	\$ 8,070,192
FY2023	\$ 585,709	\$ 7,028,512
FY2024	\$ 568,023	\$ 6,816,272
FY2025	\$ 549,956	\$ 6,599,472
FY2026	\$ 531,267	\$ 6,375,200
FY2027	\$ 511,773	\$ 6,141,280
FY2028	\$ 491,900	\$ 5,902,800
FY2029	\$ 471,647	\$ 5,659,760
FY2030	\$ 317,680	\$ 3,812,160
		\$ 188,279,630



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The **Municipal Fund Transfer** is transferred every month with RSA 78-A:26, as amended by HB2 (Ch.91, Laws of 2021). NH Treasury distributes M&R revenue to cities and towns following the formula within RSA 78-A:26 which is currently 30% of net income from the most recent fiscal year, and resulted in \$100.1M being distributed in December 2021 and was based on revenues from FY2021. There is a transfer occurring each month of FY2022 and is based on the timing of M&R revenue.

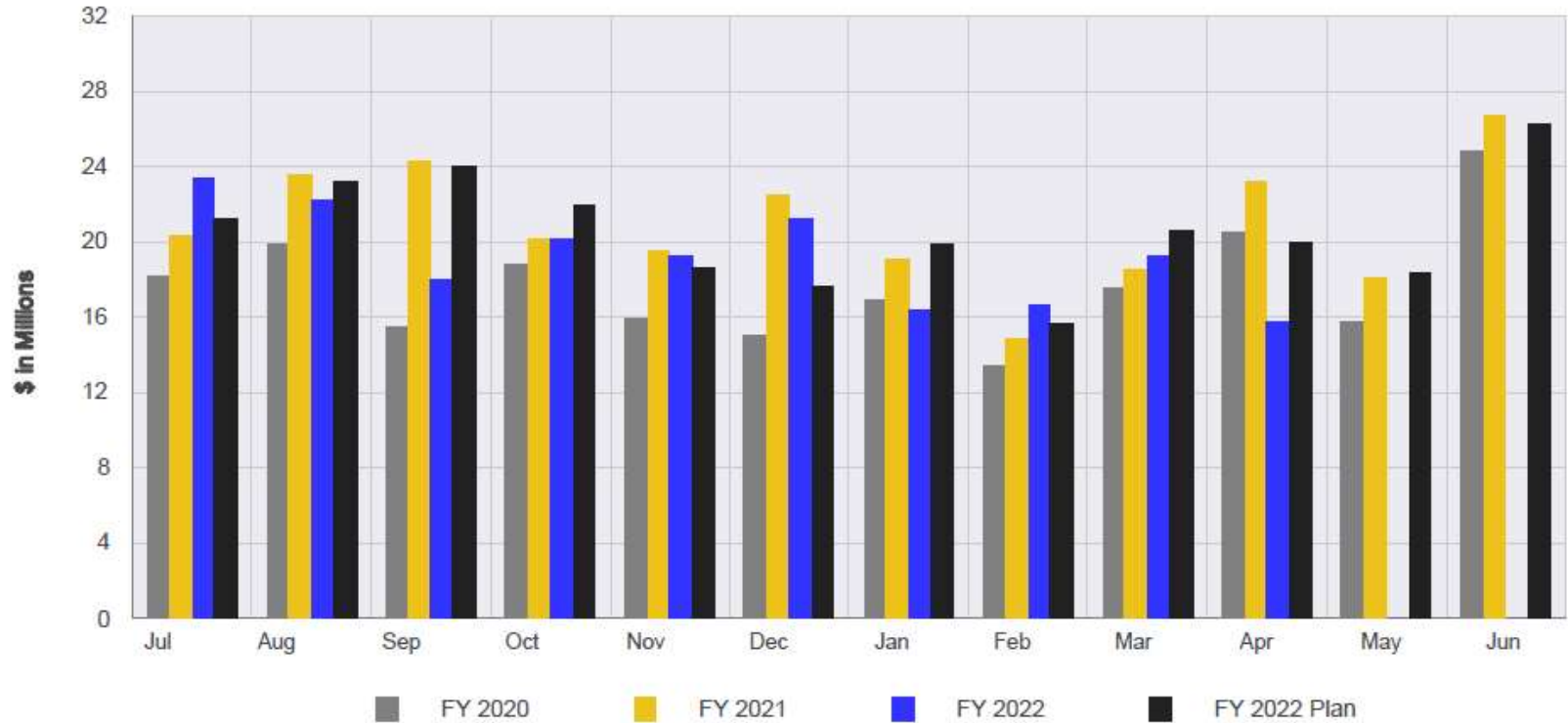
The Municipal Fund Transfer will total \$100.2M in FY2022 and is estimated to be \$120.1M in FY2023 (based on current FY2022 revenue estimates)

Meals & Rooms Municipal Revenue Fund Transfer	
	FY2022
Jul	\$ 9,300,000
Aug	\$ 10,100,000
Sep	\$ 10,200,000
Oct	\$ 8,300,000
Nov	\$ 7,400,000
Dec	\$ 6,500,000
Jan	\$ 8,800,000
Feb	\$ 7,700,000
Mar	\$ 7,700,000
Apr	\$ 7,700,000
May	\$ 7,700,000
Jun	\$ 8,800,000
	\$ 100,200,000

TOBACCO TAX (FY2021 REVENUE BREAKDOWN: 90% CIGARETTE STAMPS AND 10% OTHER TOBACCO PRODUCTS INCLUDING E-CIGARETTES)

Monthly Tobacco (TOB) Tax Revenue

Unaudited Cash



Factors to consider:

- FYTD we are -\$10.6m or -5.2% below of Plan.
- FYTD we are -\$14.0m or -6.8% below prior year.
- Massachusetts ban on all flavored tobacco products, including mentholated products led to increased revenue in FY2021.
- FYTD through April FY2022 stamp sales are -7% below FY2021, but above FY2020 by 8%.

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- Proposed national ban on menthol cigarettes and flavored cigars is expected to be proposed by the FDA before the end of calendar 2022, with an effective date of January 2024.

DRA Taxes - FY2022 thru FY2023 Revised Revenue Estimate Ranges						
Tobacco Tax		DRA FY2022 Revised Estimate	DRA FY2022 Revised Compared to Plan		DRA FY2023 Revised Estimate	DRA FY2023 Revised Compared to Plan
\$ in Millions		\$234.6	-5.2%		\$227.5	-5.2%

DRA Revised FY2022 Estimate:

- Sustaining % versus Plan
 - Performance vs Plan through April 2022 of -5.2% applied to May and June Plan.

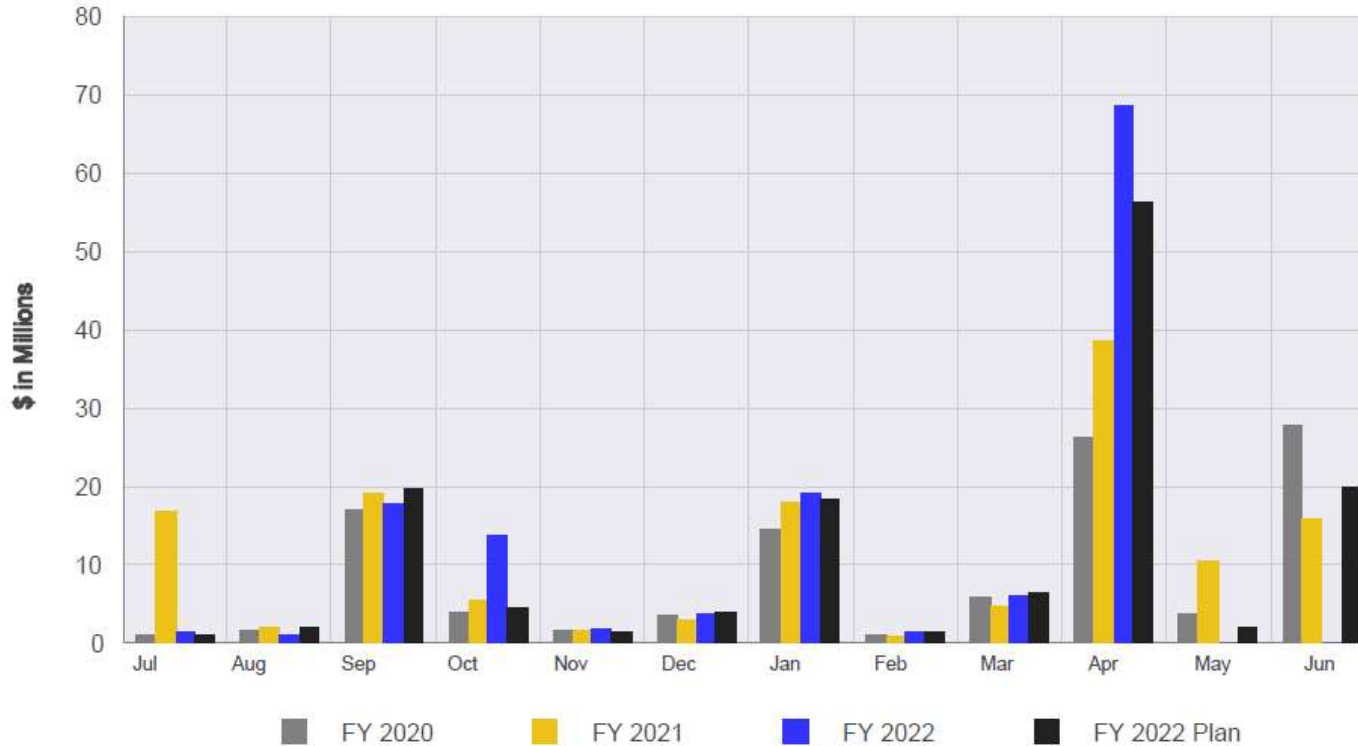
DRA Revised FY2023 Estimate:

- -3% growth equal to the original year over year growth from HB1.

INTEREST & DIVIDENDS TAX (TY 2020 BREAKDOWN: 41.5% DISTRIBUTIONS, 39.0% DIVIDEND INCOME, 12.2% INTEREST INCOME AND 7.3% FEDERAL TAX EXEMPT)

Monthly Interest and Dividends (I&D) Tax Revenue

Unaudited Cash



Factors to consider:

- FYTD we are \$19.6m or 16.9% ahead of Plan.
- FYTD we are \$24.4m or 22.0% ahead of prior year.
- Historical year-over-year swings.
- Financial markets performance and interest rates.

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- HB 2 (Chapter 91, Section 89- 102, Laws of 2021) phases out the I&D Tax as follows:
 - 4% for taxable periods ending on or after December 31, 2023
 - 3% for taxable periods ending on or after December 31, 2024
 - 2% for taxable periods ending on or after December 31, 2025
 - 1% for taxable periods ending on or after December 31, 2026
 - I&D Tax is then repealed for taxable periods beginning after December 31, 2026.

DRA Taxes - FY2022 thru FY2023 Revised Revenue Estimate Ranges						
Interest & Dividends Tax		DRA FY2022 Revised Estimate	DRA FY2022 Revised Compared to Plan		DRA FY2023 Revised Estimate	DRA FY2023 Revised Compared to Plan
\$ in Millions		\$157.8	14.4%		\$137.4	1.2%

DRA Revised FY2022 Estimate:

- Sustaining % versus Plan
 - Performance vs Plan through April 2022 (with anomalies removed) of 1.1% applied to May and June Plan.

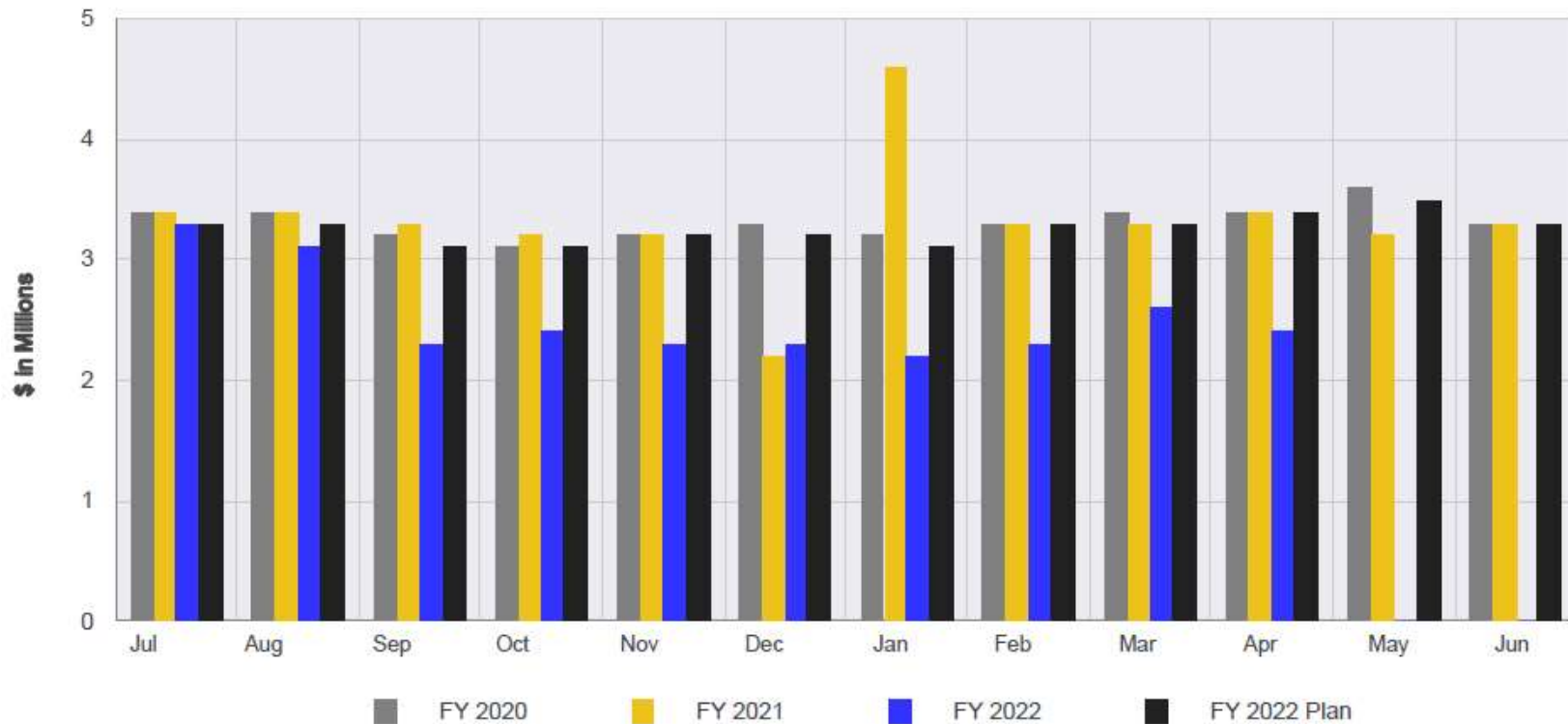
DRA Revised FY2023 Estimate:

- 3% growth equal to the original year over year growth from HB1 applied to revised FY2022 estimate, less \$6.3M surplus for I&D phase out, and less FY22 anomalies.

COMMUNICATIONS SERVICES TAX

Monthly Communications Services Tax (CST) Revenue

Unaudited Cash



Factors to consider:

- FYTD we are \$-7.1m or -22.0% below Plan.
- FYTD we are \$-8.1m or -24.3% below prior year.
- Taxability of video conferencing and the increased use of product.
- Reduction in landline usage.
- Wireless market reaching saturation.

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- Wireless service providers' bifurcation of their bills to data (not subject to CST) and communications.

DRA Taxes - FY2022 thru FY2023 Revised Revenue Estimate Ranges					
Communications Services Tax	DRA FY2022 Revised Estimate	DRA FY2022 Revised Compared to Plan	DRA FY2023 Revised Estimate	DRA FY2023 Revised Compared to Plan	
\$ in Millions	\$30.5	-22.0%	\$28.2	-27.9%	

DRA Revised FY2022 Estimate:

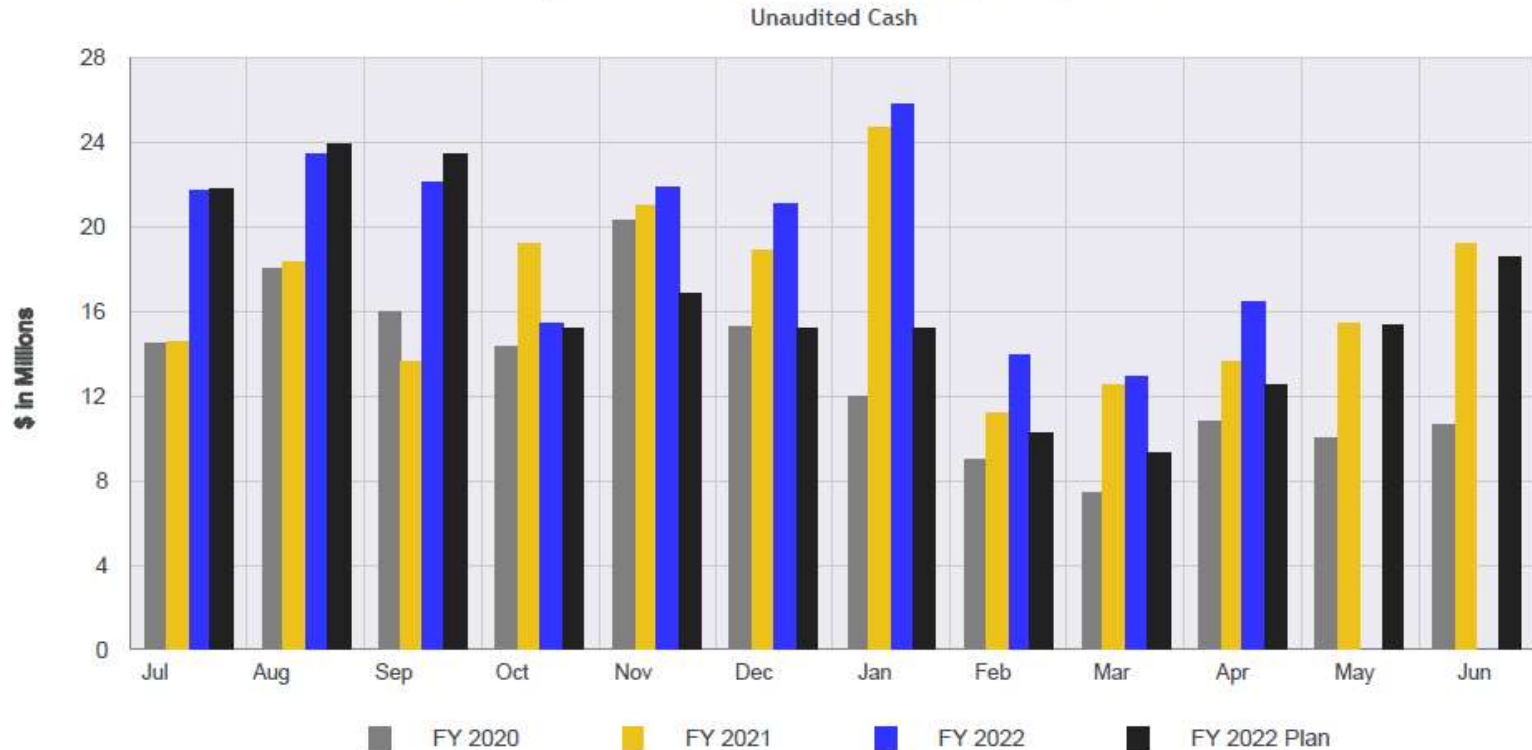
- Sustaining % versus Plan
 - Performance vs Plan through April 2022 of -22% applied to May and June Plan.

DRA Revised FY2023 Estimate:

- Flat growth from FY2022 to FY2023 with \$2.3M removed due to credit carryovers on CST accounts.

REAL ESTATE TRANSFER TAX

Monthly Real Estate Transfer Tax (RETT) Revenue



Factors to consider:

- FYTD we are \$31.1m or 19.0% ahead of Plan.
- FYTD we are \$26.9m or 16.0% ahead of prior year.
- FYTD amounts are net of the \$5M transfer to the Affordable Housing Fund as provided in RSA 78-B:13, III.
- Inventory shortage and rising prices.
 - NH Association of Realtors (NHAR) reported less than a month's supply of inventory, an 11% decrease from last year.

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- NHAR publishes a NH Housing Affordability Index which measures housing affordability for the region. For example, an index of 120 means the median household income is 120% of what is necessary to qualify for the median-priced home under prevailing interest rates. March 2022 (80) had the lowest month in the last year on the affordability index for single family homes.
- According to the NHAR, the Median Sales Price was up 20.5% (\$440K) for single family and up 30.9% (\$350.5K) for condos in March 2022.
- Mortgage interest rates are rising.
 - Mortgage rates were 5.5% for 30 year fixed on 5/4/2022, above the 52 week low of 2.8%.

DRA Taxes - FY2022 thru FY2023 Revised Revenue Estimate Ranges					
Real Estate Transfer Tax	DRA FY2022 Revised Estimate	DRA FY2022 Revised Compared to Plan		DRA FY2023 Revised Estimate	DRA FY2023 Revised Compared to Plan
\$ in Millions	\$235.2	18.9%		\$228.0	25.3%

DRA Revised FY2022 Estimate:

- Sustaining % versus Prior Year
 - Performance vs Prior Year through April 2022 of 16.2% applied to May and June prior year amounts.

DRA Revised FY2023 Estimate:

- -3% growth equal to the original year over year growth from HB1 for FY2022 (when housing market was originally anticipated to decline) applied to revised FY2022 estimate, and deducting the expected \$5M annual transfer to the Affordable Housing fund.

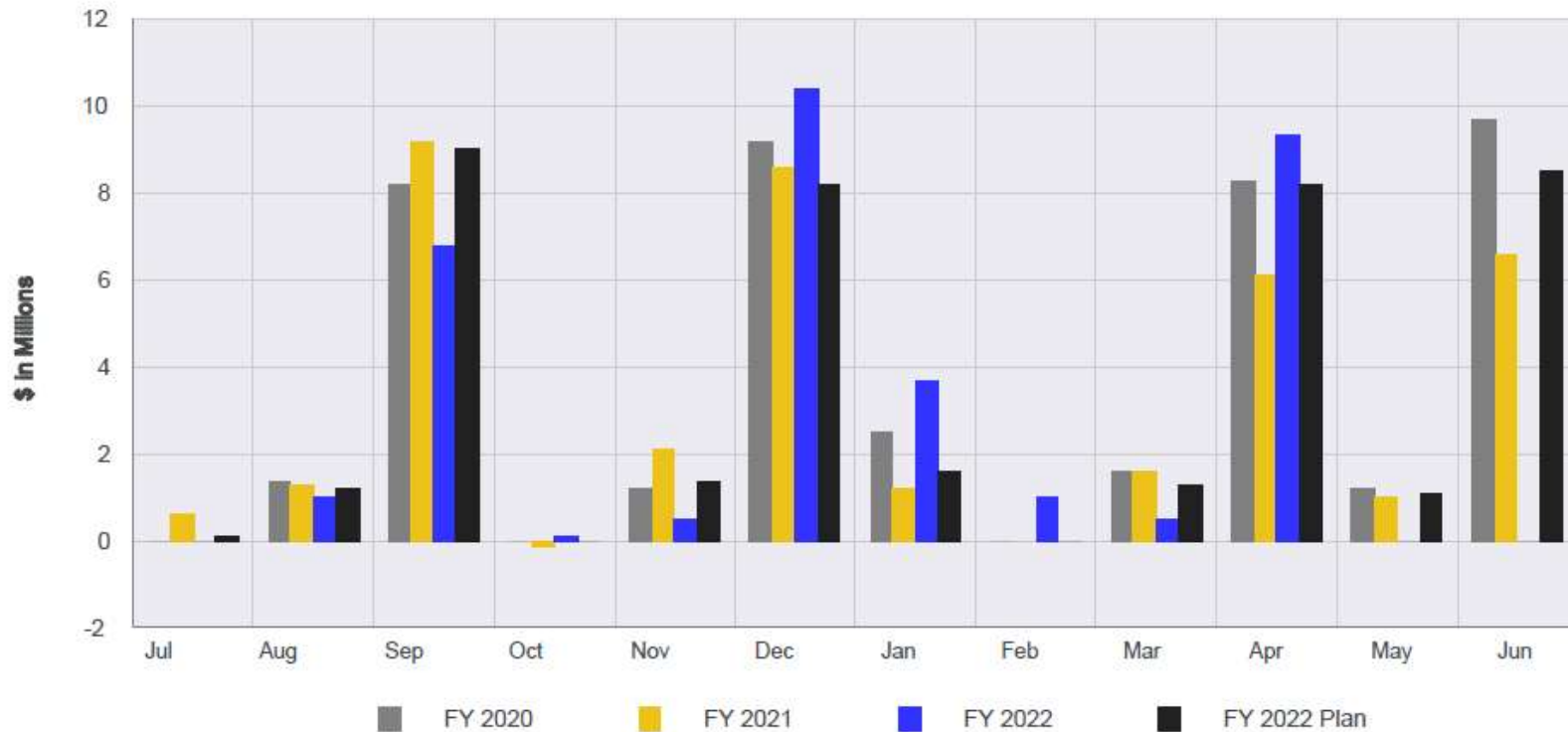
The **Land & Community Heritage Investment Program (LCHIP)** is funded by \$25 fees charged for recording each deed, mortgage, mortgage discharge or plan that are recorded at the ten County Registry Offices across the state per RSA 478:17-g, II(a). The LCHIP funds are paid to the state by the Counties, along with the RETT return each month and then transferred to the LCHIP program fund.

LCHIP totaled \$4.4M in FY2020, \$6.3M in FY2021. \$4.6M has been transferred to LCHIP in FY2022 through April 2022.

UTILITY PROPERTY TAX

Monthly Utility Property Tax (UPT) Revenue

Unaudited Cash



Factors to consider:

- FYTD \$2.3m or 7.4% above Plan.
- FYTD \$2.7m or 8.8% above prior year.
- The increase in revenue compared to prior year and Plan was due to increased valuations in FY2022 and taxpayers having used CCOs in the prior year.
- Some property may decline in value due to changes in economic conditions.

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- New taxable property may be constructed.

DRA Taxes - FY2022 thru FY2023 Revised Revenue Estimate Ranges					
Utility Property Tax	DRA FY2022 Revised Estimate	DRA FY2022 Revised Compared to Plan	DRA FY2023 Revised Estimate	DRA FY2023 Revised Compared to Plan	
\$ in Millions	\$41.6	2.4%	\$41.6	2.4%	

DRA Revised FY2022 Estimate:

- Sustaining % versus Prior Year
 - Performance vs Prior Year through April 2022 of 8.8% applied to May and June prior year amounts.

DRA Revised FY2023 Estimate:

- Flat growth from FY2022 to FY2023.