

Presentation on Revenue Considerations

Testimony of Bill Ardinger

Hearing Before the
Senate Ways and Means Committee
April 26, 2021

Background and Disclosures

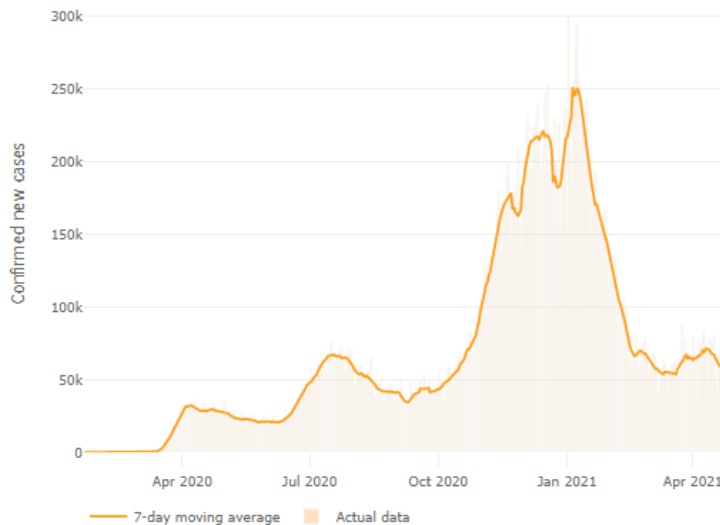
- Tax Attorney at Rath, Young and Pignatelli
- Our firm represents many businesses that are impacted by taxes generally.
- I am a registered lobbyist for several clients.
- But today, I am testifying not as a lobbyist for any client, but on my own behalf.
- My views today are not the views of my firm or any client.

The Big Uncertainty of COVID

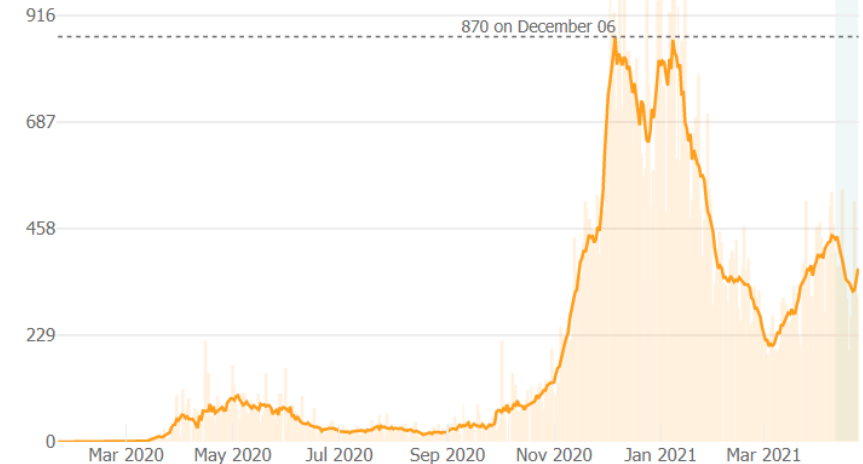
UNITED STATES

New cases confirmed each day (7-day-average) ▼ **DOWN**

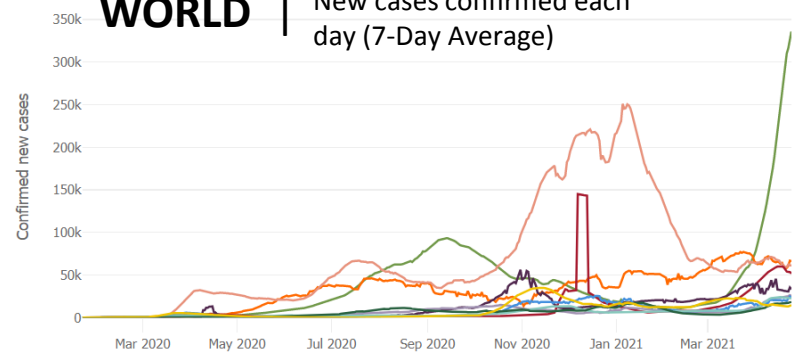
The first case of COVID-19 in United States was reported 458 days ago on 1/21/2020. Since then, the country has reported 32,045,113 cases, and 571,921 deaths.



NEW HAMPSHIRE | New cases confirmed each day (7-Day Average)



WORLD | New cases confirmed each day (7-Day Average)



Click any country below to hide/show from the graph:

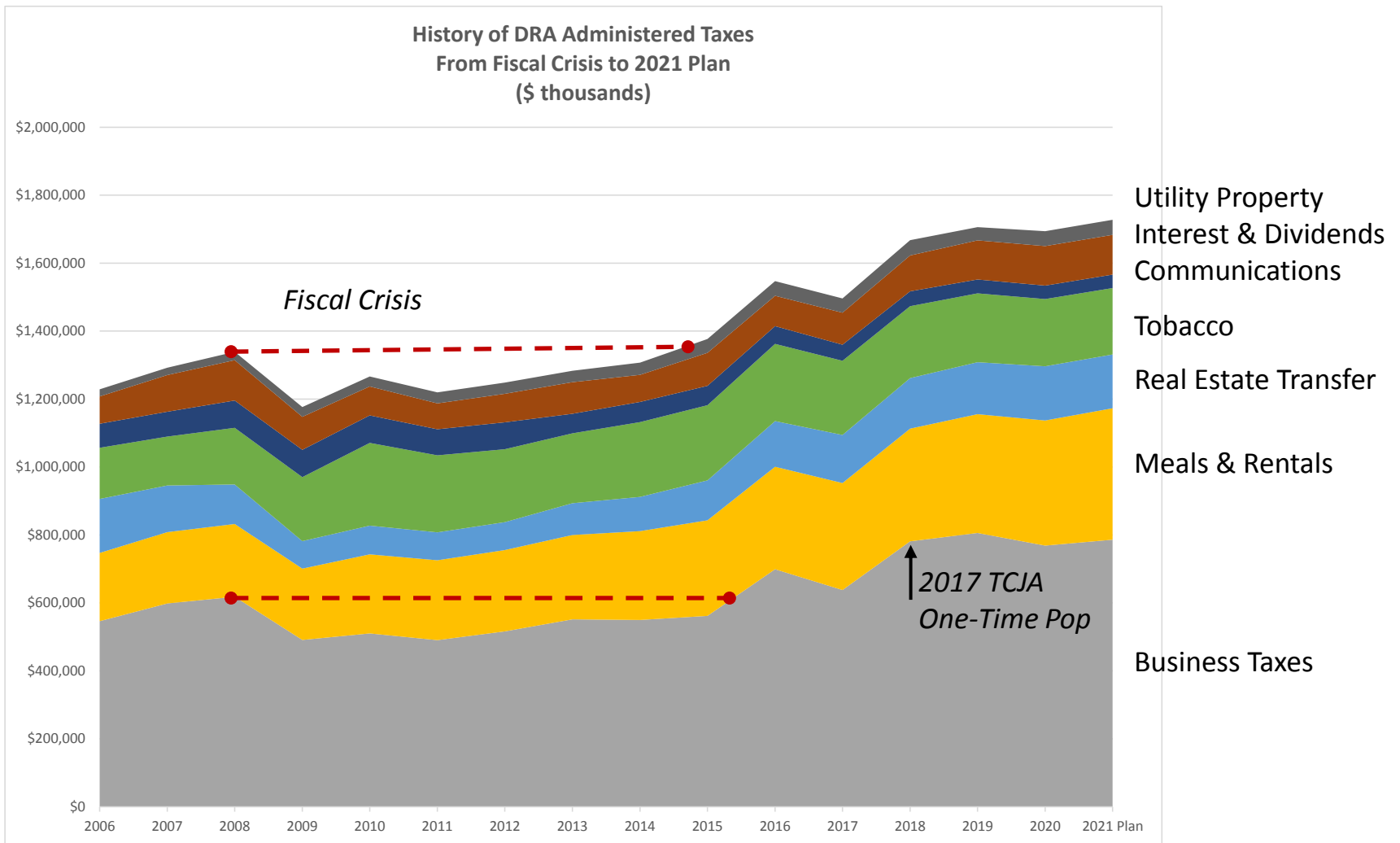
- India
- Brazil
- United States
- Turkey
- France
- Argentina
- Germany
- Iran
- Colombia
- Italy



This page was last updated on Sunday, April 25, 2021 at 06:00 AM EDT.

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History & Trends



Diversification of Revenues

YEAR-TO-DATE COMPARISON TO PLAN										
General & Education Funds	General			Education			Total			% Change
	Actual	Plan	Actual vs. Plan	Actual	Plan	Actual vs. Plan	Actual	Plan	Actual vs. Plan	
Business Profits Tax	\$325.4	\$246.0	\$79.4	\$72.7	\$57.5	\$15.2	\$398.1	\$303.5	\$94.6	31.2%
Business Enterprise Tax	52.4	30.1	22.3	129.4	145.6	(16.2)	181.8	175.7	6.1	3.5%
Subtotal Business Taxes	377.8	276.1	101.7	202.1	203.1	(1.0)	579.9	479.2	100.7	21.0%
Meals & Rentals Tax	230.5	288.4	(57.9)	5.1	8.9	(3.8)	235.6	297.3	(61.7)	-20.8%
Tobacco Tax	110.7	84.2	26.5	72.3	66.1	6.2	183.0	150.3	32.7	21.8%
Transfer from Liquor Commission	102.5	97.7	4.8	-	-	-	102.5	97.7	4.8	4.9%
Interest & Dividends Tax	72.3	53.2	19.1	-	-	-	72.3	53.2	19.1	35.9%
Insurance Tax	144.0	135.2	8.8	-	-	-	144.0	135.2	8.8	6.5%
Communications Tax	29.9	30.2	(0.3)	-	-	-	29.9	30.2	(0.3)	-1.0%
Real Estate Transfer Tax	101.3	80.2	21.1	53.0	41.3	11.7	154.3	121.5	32.8	27.0%
Court Fines & Fees	9.3	9.4	(0.1)	-	-	-	9.3	9.4	(0.1)	-1.1%
Securities Revenue	24.0	22.5	1.5	-	-	-	24.0	22.5	1.5	6.7%
Utility Consumption Tax	-	-	-	-	-	-	-	-	-	0.0%
Beer Tax	10.4	9.8	0.6	-	-	-	10.4	9.8	0.6	6.1%
Other	33.9	35.6	(1.7)	-	-	-	33.9	35.6	(1.7)	-4.8%
Transfer from Lottery Commission	-	-	-	93.6	73.0	20.6	93.6	73.0	20.6	28.2%
Tobacco Settlement	-	-	-	-	-	-	-	-	-	0.0%
Utility Property Tax	-	-	-	24.5	24.0	0.5	24.5	24.0	0.5	2.1%
State Property Tax	-	-	-	363.1	363.1	-	363.1	363.1	-	-
Subtotal Traditional Taxes & Transfers	1,246.6	1,122.5	124.1	813.7	779.5	34.2	2,060.3	1,902.0	158.3	8.3%
Recoveries	2.5	2.5	0.0	-	-	-	2.5	2.5	0.0	0.0%
Total Receipts	\$1,249.1	\$1,125.0	\$124.1	\$813.7	\$779.5	\$34.2	\$2,062.8	\$1,904.5	\$158.3	8.3%
Reduction for Anomalous Accruals Attributed to FY20	(23.3)		(23.3)	(7.5)		(7.5)	(30.8)	-	(30.8)	0.0%
Cash Receipts Attributable to FY21	\$1,225.8	\$1,125.0	\$100.8	\$806.2	\$779.5	\$26.7	\$2,032.0	\$1,904.5	\$127.5	6.7%



April 26, 2021

Monthly Revenue Focus Department of Administrative Services – April, May and June Left

Large BPT Payers Appear to Have Weathered the COVID Storm

BPT - Tax Year 2018

Business Profits Tax Stats by Tax Year and Amount of Tax Liability
This Population includes all Corporations, Partnerships, Proprietorships, and any other Entity that Files BS Tax
 DRAFT as of 8/27/2020

Tax Year 2018 Range in Tax Reported	COUNT	Sum BP TAX	% of POP	% of Tax Liability by POP
\$0	56,856	\$0	76.5%	0.0%
\$1 - \$500	4,901	\$797,252	6.6%	0.2%
\$500 - \$1K	1,801	\$1,320,449	2.4%	0.3%
\$1K - \$10K	7,291	\$27,465,386	9.8%	5.3%
\$10K - \$50K	2,417	\$50,945,903	3.3%	9.8%
\$50K - \$100K	464	\$32,578,674	0.6%	6.3%
\$100K - \$1MIL	537	\$151,952,630	0.7%	29.2%
>\$1MIL	76	\$255,677,979	0.1%	49.1%
Totals:	74,343	\$520,738,272	100.0%	100.0%

613 or .8% paid 78.3% of BPT Liability

2018	COUNT	Sum BP TAX	% of Total POP	% of Total Tax Liability by POP
Corporations	25,623	\$81,384,942	34.5%	15.6%
Water's Edge	4,189	\$321,282,380	5.6%	61.7%
Partnerships	13,388	\$100,946,766	18.0%	19.4%
Proprietors	30,571	\$14,887,124	41.1%	2.9%
Fiduciaries	572	\$2,237,061	0.8%	0.4%
Totals:	74,343	\$520,738,272	100.0%	100.0%

National Projections – CBO

CBO's Economic Projections for Calendar Years 2021 to 2031

	2020	2021	2022	2023	Annual Average	
					2024–2025	2026–2031
Percentage Change From Fourth Quarter to Fourth Quarter						
Gross Domestic Product						
Real ^a	-2.5	3.7	2.4	2.3	2.2	1.6
Nominal	-1.2	5.6	4.5	4.3	4.4	3.8
Inflation						
PCE price index	1.2	1.7	1.9	1.9	2.1	2.1
Core PCE price index ^b	1.4	1.5	1.9	1.9	2.1	2.1
Consumer price index ^c	1.2	1.9	2.2	2.3	2.4	2.4
Core consumer price index ^b	1.6	1.5	2.2	2.3	2.4	2.4
GDP price index	1.3	1.9	2.0	2.0	2.1	2.1
Employment Cost Index ^d	2.8	2.3	2.8	3.0	3.2	3.3
			Fourth-Quarter Level (Percent)			
Unemployment Rate	6.8	5.3	4.9	4.6	4.0 ^e	4.3 ^f



“As expanded vaccination reduces the spread of COVID-19 (the disease caused by the coronavirus) and the extent of social distancing declines, real (inflation-adjusted) GDP is projected to grow by 3.7 percent in 2021, returning to its pre-pandemic level by the middle of the year.”

Assessing Federal Impacts 1

- Unprecedented Federal Aid
 - CARES Act
 - American Rescue Plan
 - American Jobs Plan
- How to Deploy that Aid to Enhance NH's Emergence in the Post-COVID Economy
 - One Time Funds Used Only for One Time Expenditures
 - “Fertilize NH's Economic Gardens”
 - Well-Deployed Funds May Enhance Future Revenues

Assessing Federal Impacts 2

- President Biden Infrastructure Tax Plan
 - Focused on Corporate Income Tax
 - Reversing Some of the TCJA Provisions
 - Rate to 28% from 21%
 - Increase the Rate on Global Intangible Low Tax Income (GILTI)
 - Impose a 15% Corporate Minimum Tax on Book Income
 - Repeal Foreign Derived Intangible Income (FDII) Deduction
 - Only FDII Has Material Impact on Base
 - Conformity Question Arises Again
 - TCJA Had Big Impact on NH Tax Base
 - This Tax Proposal Would Not Have as Substantial an Impact

Conclusions

- NH's Diversified Revenue System is Weathering the Storm
- The COVID Uncertainty Poses Risks But Projections Should Not Be Radically Different from National and Regional Economic Projections
- The Impact of Substantial Federal Aid Provides a Form of Cushion for Unanticipated Developments
- Overall, NH's Aggregate Revenues Should Continue to Grow at a Reasonable Rate Over the Next Biennium