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From: Wong, Keen <Keen.M.Wong@dra.nh.gov>
Sent: Monday, October 2, 2023 8:27 AM
To: Walter Spilsbury; Jordan Ulery; Tom Schamberg; Keith Murphy; kevin kennedy; Matthew Foley; Fries, Alexander
Cc: Jennifer Foor; CoolbrothJr, Frederick
Subject: DRA's reply to questions from 9/25 meeting of the Commission on Worldwide Combined Reporting.

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Members of the Commission,

During the meeting of 9/25, the DRA was asked to provide a brief write up of the possible change in audit process when auditing returns filed on a water's edge basis versus a worldwide combined basis. We do not expect the audit process to change. However, as testified, we expect to see an increase in the volume of information and documents that the audit team will be reviewing. There would be a potential increase in the number of companies and returns that would be reviewed, and additional analysis might need to be performed on currency exchange rates and various international accounting or tax reporting methods. There could be potential language issues to overcome as well. There would potentially be audit field work required in international locations where the books of the companies and key personnel may be located.

In general, the audit process for both types of filing would be as follows:

1. Taxpayer selection and preaudit analysis.
2. Initial contact letter.
 - a. Scheduling fieldwork.
 - b. Initial document request.
3. Document production and written explanations from taxpayer.
4. Fieldwork (site visit)
 - a. Interview(s).
 - b. Ongoing document request and production.
5. Continued document production and written explanations from taxpayer.
6. Preliminary analysis by DRA.
7. Discussion of any proposed adjustments.
 - a. Final document production and explanations.
 - b. Final analysis.
8. Closure – either with audit adjustments or with no changes.

During the meeting, DRA was also asked for the possible fiscal impact when NH transitioned from worldwide combined reporting to water's edge. Back when NH transitioned from worldwide combined reporting to water's edge, the DRA was unable to project a fiscal impact. The data available during the worldwide combined reporting period was not suitable to calculate a possible revenue impact when transitioned to water's edge. NH adopted worldwide combined reporting in 1981 and transitioned to water's edge method in 1986. Below are the BPT and BET revenues for Fiscal Years 1980 through 1986 plus five more fiscal years thereafter as possible helpful information. This information was extracted from the DRA's annual report. Do bear in mind that this data represents revenue received during a particular fiscal year, running from 7/1 through 6/30 of the following calendar year.

Fiscal Year End	Business Profits Tax & Business Enterprise Tax
1980	\$ 62,786,373
1981	\$ 57,339,717
1982	\$ 79,737,252
1983	\$ 73,625,927
1984	\$ 103,791,353
1985	\$ 108,522,266
1986	\$ 110,497,000
1987	\$ 150,293,655
1988	\$ 138,398,145
1989	\$ 143,170,703
1990	\$ 113,170,448
1991	\$ 111,889,162

Thank you,
Keen

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