

New Hampshire Department of Revenue Administration House Finance Committee

January 22, 2025



Lindsey M. Stepp, Commissioner

Ora M. LeMere, Assistant Commissioner

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MISSION



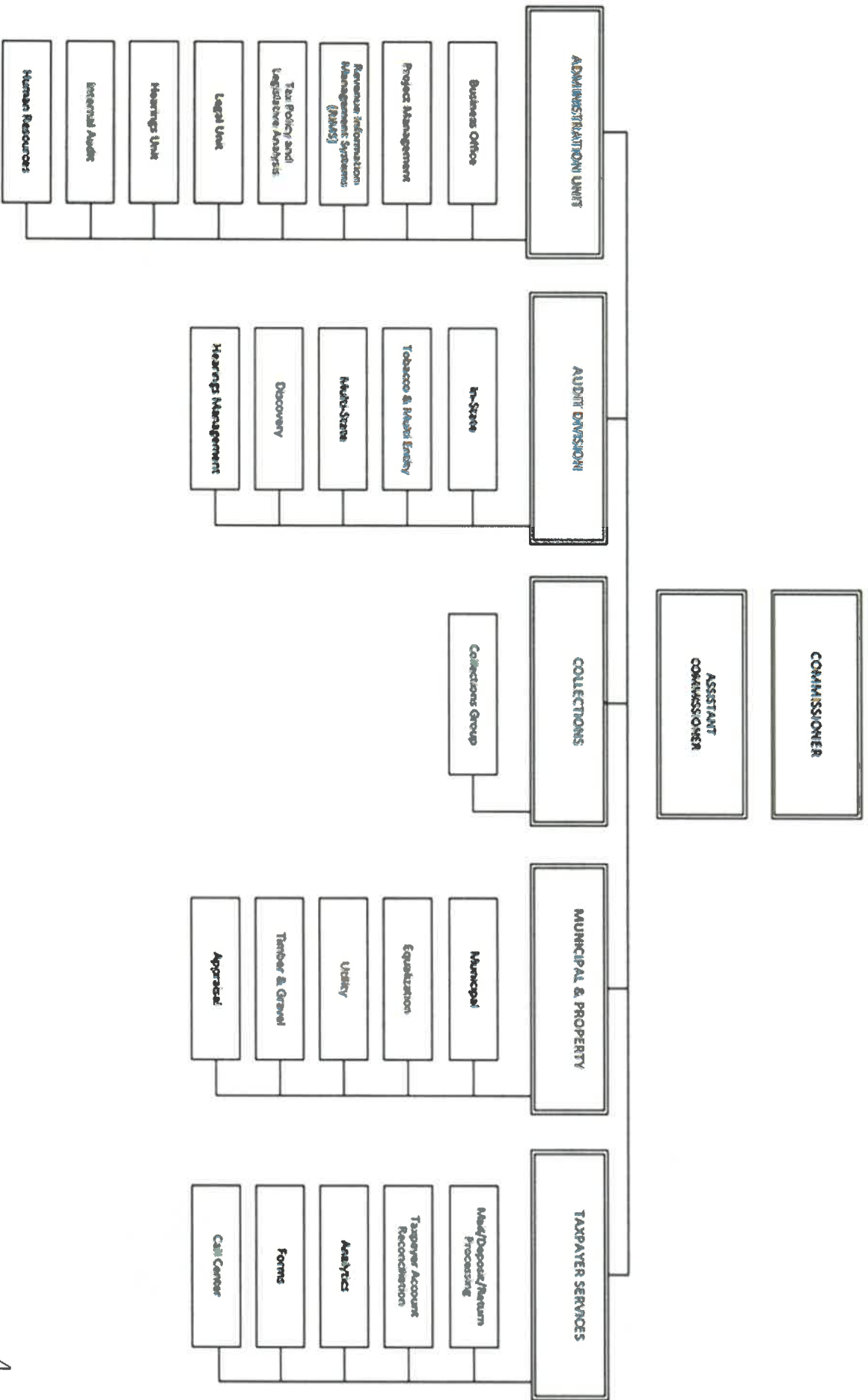
The mission of the Department of Revenue Administration is to fairly and efficiently administer the tax laws of the State of New Hampshire, collecting the proper amount of taxes due, incurring the least cost to the taxpayers, in a manner that merits the highest degree of public confidence in our integrity. Further, we will provide prompt and constructive assistance to the municipal units of government in matters of budget, finance, and the appraisal of real estate.



TAXPAYER INTERACTION

It is the policy of the Department of Revenue Administration to administer the tax laws of the State in a manner that demonstrates efficiency, fairness, and courtesy towards every taxpayer.

Department of Revenue Administration Organizational Chart



Administration Unit

- Performs administrative functions necessary to support Department of Revenue Administration (DRA) operations, and includes:
 - Commissioner's Office
 - Business Office
 - Project Management
 - RIMS Management
 - Tax Policy & Legislative Analysis
 - Legal Bureau
 - Hearings Bureau
 - Internal Audit
 - Human Resources

Audit Division

- Conducts audits of tax returns of individuals, partnerships, estates, trusts, corporations, and documents filed with the DRA to ensure compliance with New Hampshire tax laws and rules.
- Discovery /Nexus Unit researches federal and state filings to identify non-filers who may have a duty to file and pay New Hampshire taxes.

Collections Division

- Initiates collection activities in pursuit of delinquent tax returns and outstanding payments for all taxes administered by DRA.
- Monitors monthly filing of meals and rentals tax returns.
- Issues wholesale tobacco tax licenses and meals and rentals tax licenses.
- Sells tobacco tax stamps.

Municipal and Property Division

- Establishes and approves municipal, school, county and village district tax rates.
- Provides technical assistance and training in all aspects of municipal finance and budgeting.
- Monitors reappraisals and certifies tax assessors.
- Equalizes local assessed values of municipalities to full value.
- Appraises public utility and railroad property for the administration of corresponding taxes.
- Administers timber and gravel taxes.
- Provides support for statutorily attached boards (Assessing Standards Board and Current Use Board).

Taxpayer Services Division

- Receives, processes, and stores all tax documents, return payments, and electronic transactions filed with DRA.
- Manages forms development for all forms filed with DRA.
- Provides general assistance to the public for all taxes administered by the DRA and maintains taxpayer accounts.

Department of Information Technology (Embedded Personnel)

- Designs, develops, and maintains computerized systems to support the administration of taxes and to automate labor intensive functions.



Taxes Administered by DRA ~ \$2.9B Revenue

<u>Tax Type</u>	<u>Current Tax Rate</u>	<u>Statute</u>
Business Enterprise Tax	0.55%	RSA 77-E
Business Profits Tax	7.5%	RSA 77-A
Communications Services Tax	7.0%	RSA 82-A
Interest and Dividends Tax	Repealed January 1, 2025	RSA 77
Meals and Rooms Tax	8.5%	RSA 78-A
Medicaid Enhancement Tax	5.4%	RSA 84-A
NFOA	5.5%	RSA 84-C
Tobacco Tax	\$1.78 per pack/65.03% wholesale price	RSA 78
Tobacco Tax – E-Cigarettes	\$0.30 per milliliter/8% wholesale price	RSA 78
Taxation of Railroads	Average rate of taxation of other property	RSA 82
Utility Property Tax	\$6.60 per \$1,000 of utility property value	RSA 83-F
Excavation Tax	\$0.02 per cubic yard (Local revenue)	RSA 72-B
Real Estate Transfer Tax	\$0.75 per \$100	RSA 78-B
Timber Tax	10% of stumpage value (Local revenue)	RSA 79
Property Tax (Includes SWEPT)	Varies (Local revenue)	RSA 76

Taxes DRA Does Not Collect

<u>Tax Type</u>	<u>Statute</u>
Insurance Premium Tax	RSA 400-A
Beer Tax	RSA 178
Road Toll (Gas Tax)	RSA 260

Tax Revenue - Fiscal Year 2024 (Preliminary*)

<u>Tax Type</u>	<u>Preliminary Revenue</u>
Business Profits Tax	\$1,011.8M
Business Enterprise Tax	\$206.1M
Subtotal Business Tax	<u>\$1,217.9M</u>
Communications Services Tax	\$30.6M
Interest and Dividends Tax	\$184.3M
Meals and Rooms (Rentals) Tax ¹	\$328.1M
Medicaid Enhancement Tax ²	\$319.9M
NFOA ²	\$44.7M
Tobacco Tax	\$189.9M
Taxation of Railroads ²	\$0.1M
Utility Property Tax	\$46.8M
Real Estate Transfer Tax	\$183.7M
Statewide Education Property Tax	\$363.8M
TOTAL	\$2.9B

*Preliminary and unaudited

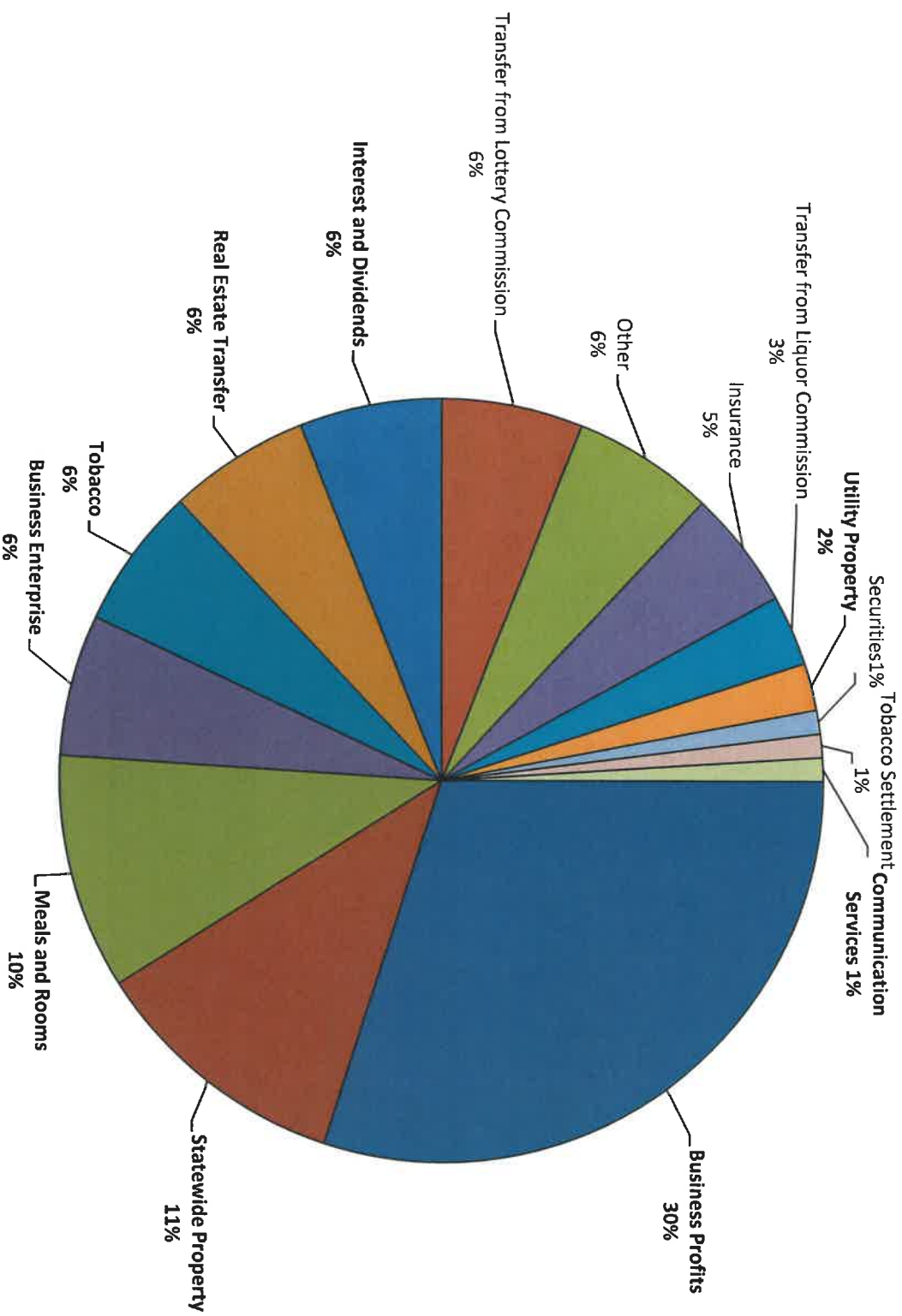
¹Net of Transfers

²Unaudited Cash

Share of Unrestricted Revenues

General and Education Funds – Source FY2024 Preliminary (Unaudited)

Note: DRA's statutory responsibilities nearly 76.7% of NH State General and Education Trust Fund Revenue (\$2.5B out of \$3.3B)

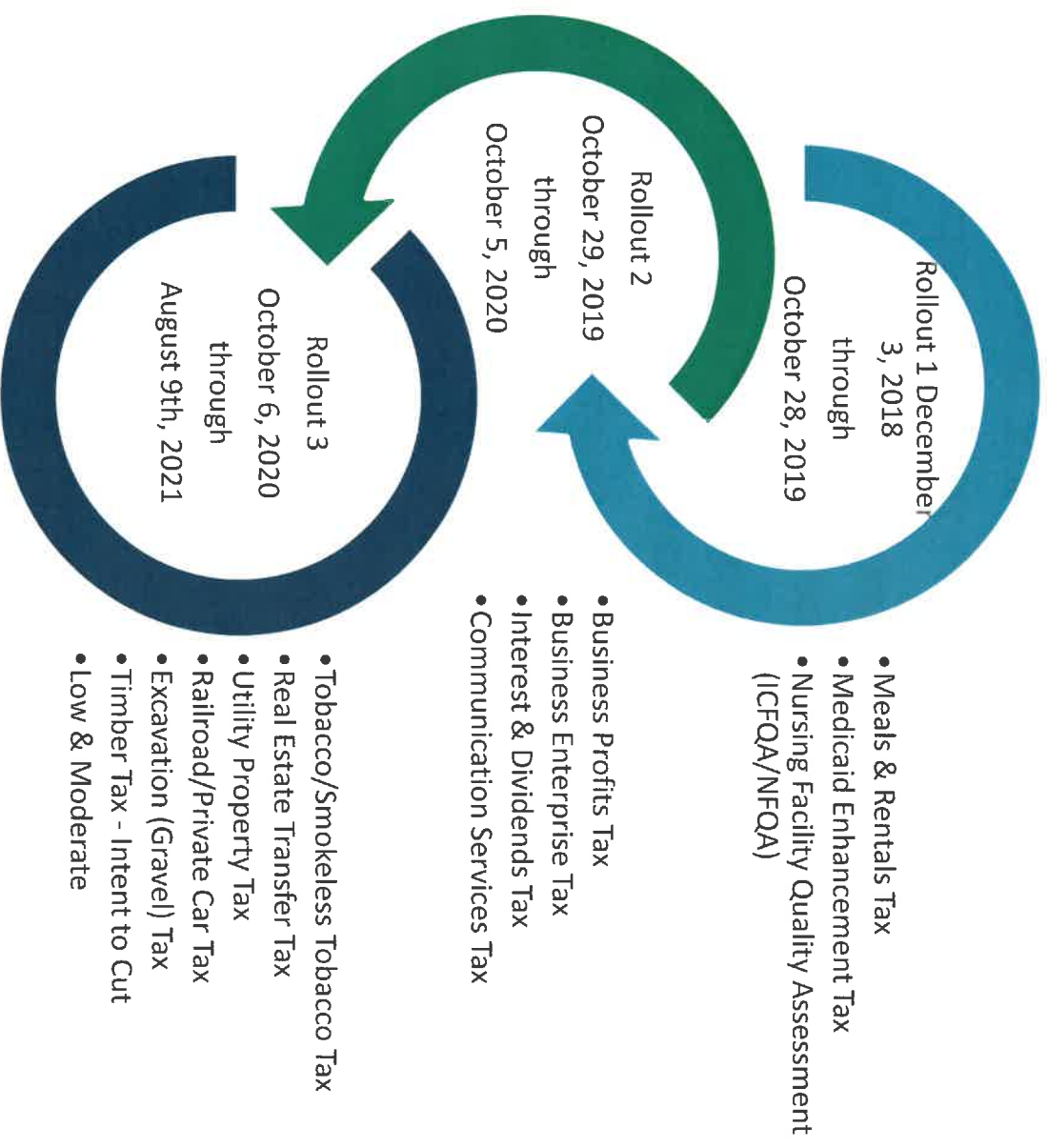


Revenue Information

Management System (RIMS)

- The DRA received a \$30,160,000 capital appropriation through general funds and other funds to replace the DRA's Tax Information Management System (TIMS).
- TIMS, which was implemented in 1990, was obsolete and limited in its functionality, impacting the reliability, usefulness, and security of taxpayer data.
- RIMS is used by taxpayers, practitioners, and DRA staff.
- RIMS was implemented by DRA, in partnership with DoIT, and is a complete backend technology system, housing and consolidating all taxpayer data.
- FAST Enterprises LLC was selected through a request for proposal process to implement and support their commercial off-the-shelf software, GenTax for tax administration.
- Implementation consisted of three phases, each taking about a year, and the contract also included support and maintenance of the system for four years after implementation.
- Total cost for the seven-year contract is \$29,550,000.
- Seven-year contract expires on December 31, 2025 and DRA expects to enter into one of three, three-year extensions at the conclusion of the initial contract. Ongoing hardware and software support and maintenance will need to transition into DRA's operating budget.

Three Rollouts



RIMS Revenue Uplift

During the 2017 Legislative Session, the State's Capital Budget (HB 25, Chapter 228, Section 1, XIX) appropriated \$30.16 million to the Department of Revenue Administration (DRA) for the establishment of a new back-end technology system to process, house, and consolidate all taxpayer data (Revenue Information Management System or RIMS) and a new front-end taxpayer portal (Granite Tax Connect or GTC) to facilitate efficient tax administration. \$24.16 million of the total appropriation for the project was financed through the issuance of bonds, which pursuant to RSA 21-J:1-b, are to be paid from a non-lapsing revenue information management system account. The revenue information management system account shall be funded with the yearly transfer of revenue increases from existing taxes attributable to RIMS in an amount not greater than \$4 million each fiscal year, beginning the fiscal year ending June 30, 2020 and ending when total deposits equal \$40 million.

RIMS Revenue Uplift

To date DRA has transferred the following amounts to the RIMS Account:

- FY 2020 = \$0.0m
- FY 2021 = \$2.2m
- FY 2022 = \$4.0m
- FY 2023 = \$4.0m
- FY 2024 = \$4.0m

For FY 2024, revenue uplift was identified from M&R, I&D, BPT, BET and Tobacco through reminder to pay letters, the use of Federal Tax Information, and automated payment plans as follows:

Tax Type	Total Revenue Increase	% of Total	FY 2024 Revenue Increase
Meals & Rentals Tax	\$944,200.68	6.5%	\$260,000.00
Interest & Dividends Tax	\$4,929,854.61	34.1%	\$1,364,000.00
Business Profits Tax	\$6,546,274.97	45.3%	\$1,812,000.00
Business Enterprise Tax	\$2,022,147.77	14.0%	\$560,000.00
Tobacco Tax	\$11,250.00	0.1%	4,000.00
TOTAL:	\$14,453,728.02	100%	\$4,000,000.00

FY 2026 / FY 2027 Agency Budget – The Big Picture

	FY 2025 Adjusted Authorized	FY 2026 Efficiency	FY 2027 Efficiency
General Funds	\$ 25,636,058	\$ 24,796,157 -3.3%	\$ 25,293,099 2.0%
Education Trust Fund	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000
Agency Income	\$ 2,184,205	\$ 2,981,000 36.5%	\$ 2,911,000 -2.3%
Total All Funds	\$ 29,320,263	\$ 29,277,157 -0.1%	\$ 29,704,099 1.5%
Permanent Classified Positions	118	107	107
Unclassified Positions	35	28	28
Total Number of Full Time Positions	153	135	135

FY 2026 / FY 2027 Agency Budget

Highlights

- Current funded position count is reduced to 135 full-time classified and unclassified positions, and five part-time positions.
 - Unfunded positions include nine tax auditors, five tax examiners, two administrators, one paralegal and one utility appraiser.
 - All of the positions that we proposed to unfund are currently vacant.
 - Our general fund operating budget is 70% salary and benefits; we're a department of people, not things or programs.
- Budget request fully operationalizes the Department's Revenue Information Management System (RIMS), as capital expenses will end on 12/31/2025, and funds a conversion of RIMS to a cloud-based platform.
- Funding for additional RIMS support, audit positions, and assistance in the Hearings Bureau are included as prioritized needs.
- Other reductions include out of state travel, training, and equipment.
- Division Directors, Business Office, and other managers worked hard to budget conservatively and accurately, requesting funds for needs not wants.

Update on FY 2024 / FY 2025 Budget Priorities

- RIMS
 - Upgrade to latest version, Core 21, completed in October 2024
 - Enhanced security through tokenization and authentication.
 - Modern coding language.
 - Increased efficiency and ease of use for taxpayers, tax practitioners, and DRA staff.
 - Revenue Uplift
 - Revenue increases from existing taxes attributable to the implementation of RIMS reached \$14.5m in FY2024:
 - Reminder to pay letters = \$5.4m
 - Use of Federal Tax Information generated = \$7.1m
 - Automated Payment Plans = \$1.9m
 - The maximum amount of \$4m was transferred from the General Fund to support the RIMS Debt Service.
- Fleet Vehicles
 - Most of aging fleet has been replaced with new all-wheel drive hybrid vehicles to help ensure our appraisers and collectors can perform their work and to cut down on gas and repair costs going forward.

Update on FY 2024 / FY 2025 Budget Priorities (continued)

- Technology Upgrades with ARPA Funds
 - RIMS Core 21 (see prior slide)
 - Highspeed Scanner to efficiently process paper forms and payments (checks)
 - 10% to 66% faster throughput speed
 - Automatic separation of documents (limits upfront manual work)
 - Reduced manual data entry with improved image quality and Intelligent Character Recognition read rates
 - Equalization Web Application upgrade and enhancement
 - Expanded functionality to include DRA's municipal assessment review and revaluation monitoring functions
 - Modernized platform for ratio study and equalization functionality, including mobile ability for field staff
- Customer Service remains a priority of DRA
 - In FY 2024 and FY 2025 to date, DRA has maintained a rating of 3 or higher (on a scale of 1 to 5) from 99% of customer satisfaction surveys that callers receive at the end of their calls into our call center.
 - The initial launch and subsequent upgrade of the RIMS online portal, Granite Tax Connect (GTC), continues to focus on the needs of taxpayers and practitioners
 - To date we have over 48,000 external GTC users and the Core 21 upgrade now allows for the ability to pay, review or update payment plans, review Power of Attorney information, submit an appeal or dispute request, and submit certification requests.

Finance Division | Questions

- New General Fund Appropriations
 - DRA has not received any new General Fund appropriations in the last five years for new programs.
- New Positions Established
 - No new full-time positions have been established over the past five years.
 - DRA headcount reached a high of 218 from FY 2010 – FY 2011
 - From FY 2021 – FY 2025 headcount reduced from 157 to 153
- General Funds and ARPA Funds
 - No general funds were used to replace previously received ARPA funds.
 - DRA received ARPA funds for three upgrades of existing technology.
 - Upgrades did not result in any new or increased support and maintenance costs.