

SB 635-FN - AS AMENDED BY THE SENATE

03/05/2026 0832s

2026 SESSION

26-2214

07/06

SENATE BILL **635-FN**

AN ACT establishing a health reimbursement arrangement tax credit program and making an appropriation for improvements in the department of revenue administration's information management system.

SPONSORS: Sen. Ricciardi, Dist 9; Sen. Avard, Dist 12; Sen. McGough, Dist 11; Sen. Watters, Dist 4; Sen. Abbas, Dist 22; Sen. Perkins Kwoka, Dist 21; Rep. Kuttab, Rock. 17; Rep. Mary Murphy, Hills. 27; Rep. Ohm, Hills. 10; Rep. Miles, Hills. 12; Rep. Labrie, Hills. 2

COMMITTEE: Ways and Means

AMENDED ANALYSIS

This bill establishes a health reimbursement arrangement tax credit program and makes an appropriation for improvements in the department of revenue administration's information management system.

Explanation: Matter added to current law appears in ***bold italics***.
Matter removed from current law appears [~~in brackets and struckthrough.~~]
Matter which is either (a) all new or (b) repealed and reenacted appears in regular type.

STATE OF NEW HAMPSHIRE

In the Year of Our Lord Two Thousand Twenty-Six

AN ACT establishing a health reimbursement arrangement tax credit program and making an appropriation for improvements in the department of revenue administration's information management system.

Be it Enacted by the Senate and House of Representatives in General Court convened:

1 1 Short Title. This act may be known and cited to as "The Health Reimbursement Tax Credit
2 Program Act."

3 2 New Chapter; Health Reimbursement Arrangement Tax Credit. Amend RSA by inserting
4 after chapter 77-G the following new chapter:

5 CHAPTER 77-H

6 HEALTH REIMBURSEMENT ARRANGEMENT TAX CREDIT

7 77-H:1 Definitions. As used in this chapter:

8 I. "Covered employee" means an employee for whom a qualified taxpayer makes a qualified
9 contribution.

10 II. "Department" means the department of revenue of administration.

11 III. "Qualified account" means an individual coverage health reimbursement arrangement
12 established pursuant to 45 C.F.R. 146.123 or a qualified small employer health reimbursement
13 arrangement described in Section 9831(d) of the Internal Revenue Code.

14 IV. "Qualified contribution" means a reimbursement by a qualified taxpayer to a qualified
15 account for use in accordance with applicable federal laws and regulations.

16 V. "Qualified taxpayer" means an employer with fewer than 50 employees that is a
17 corporation, a limited liability company, a partnership, or another entity that has any state tax
18 liability under RSA 77-A or RSA 77-E.

19 77-H:2 Eligibility Criteria.

20 A qualified taxpayer may claim a credit against their tax due under RSA 77-A and RSA 77-E, in
21 the manner described in RSA 77-H:3, for qualified contributions of \$300 per covered employee per
22 year for no more than 2 years, which shall be consecutive, if:

23 (a) The qualified taxpayer did not contribute to an employer sponsored group health
24 insurance plan for the covered employee in any of the previous 3 years; and

25 (b) The contribution to a qualified account in the benefit year for which the credit is
26 claimed is not less than \$300 more than the amount provided in the last benefit year of an employer
27 sponsored group health insurance program or qualified account for the covered employee prior to the
28 first year in which the credit was claimed.

29 77-H:3 Health Reimbursement Arrangement Tax Credit.

1 I. There shall be allowed a health reimbursement arrangement tax credit applied to a
2 qualified taxpayer, as set forth in RSA 77-H:2, for qualified contributions made during the taxable
3 year, as follows:

4 (a) To receive the credit provided under this chapter, a qualified taxpayer shall submit
5 an application on a form to be prescribed by the commissioner and shall be accompanied by
6 information or records required by the commissioner.

7 (b) Applications shall be processed on a first come, first served basis, up to the aggregate
8 tax credit amount allowed under this section. If multiple applications are received on the same day,
9 they shall be processed at random.

10 (c) Once awarded, the credit may be claimed by the qualified taxpayer against tax due
11 under RSA 77-E at any time in the manner prescribed by the department. Any unused credit may
12 be applied against RSA 77-A. For the purposes of the credit allowed under 77-A:5, X, the credit
13 under this section shall be considered taxes paid.

14 (d) The aggregate amount of tax credits awarded under this chapter may not exceed
15 \$2,500,000 in any state fiscal year.

16 (e) The department may not award a tax credit after the total credits awarded under
17 this section equals the maximum amount allowable in a particular state fiscal year.

18 (f) The amount of the credit provided by this chapter that a qualified taxpayer uses
19 during a particular taxable year may not exceed the state tax liability of the qualified taxpayer.

20 (g) Any unused credit awarded under this chapter may be carried forward for not more
21 than 3 succeeding taxable periods.

22 (h) A qualified taxpayer shall not be entitled to a carry-back or refund of any unused
23 credit.

24 II. The commissioner of the department of revenue administration shall adopt rules,
25 pursuant to RSA 541-A, relative to implementing the administration of the health reimbursement
26 arrangement tax credit program established under this chapter.

27 3 New Paragraph; Taxation; Business Profits Tax; Health Reimbursement Arrangement Tax
28 Credit. Amend RSA 77-A:5 by inserting after paragraph XVII the following new paragraph:

29 XVIII. There shall be allowed a health reimbursement arrangement tax credit, as
30 established in RSA 77-H, against taxes due under this chapter for any unused portion of credit that
31 has not been applied to the taxes due under RSA 77-E.

32 4 New Section; Taxation; Business Enterprise Tax; Health Reimbursement Arrangement Tax
33 Credit. Amend RSA 77-E by inserting after section 3-f the following new section:

34 77-E:3-g Health Reimbursement Arrangement Tax Credit. The health reimbursement
35 arrangement tax credit established under RSA 77-H shall be allowed against taxes due under this
36 chapter.

SB 635-FN - AS AMENDED BY THE SENATE

- Page 3 -

1 5 Appropriation; Department of Revenue Administration. There is hereby appropriated to the
2 department of revenue administration the sum of \$40,000 for the fiscal year ending June 30, 2028,
3 for the purpose of making internal improvements and system upgrades to the department's revenue
4 information management system. The governor is authorized to draw a warrant for said sums out of
5 any money in the treasury not otherwise appropriated.

6 6 Applicability. Sections 1 through 4 of this act shall apply to taxable periods ending on or
7 after December 31, 2027.

8 7 Effective Date. This act shall take effect July 1, 2026.

SB 635-FN- FISCAL NOTE
AS AMENDED BY THE SENATE (AMENDMENT #2026-0832s)

AN ACT establishing a health reimbursement arrangement tax credit program and making an appropriation for improvements in the department of revenue administration's information management system.

FISCAL IMPACT:

Estimated State Impact				
	FY 2026	FY 2027	FY 2028	FY 2029
Revenue	\$0	\$0	Indeterminable Decrease	Indeterminable Decrease
<i>Revenue Fund(s)</i>	General Fund and Education Trust Fund			
Expenditures*	\$0	\$0	\$40,000	\$0
<i>Funding Source(s)</i>	General Fund			
Appropriations*	\$0	\$0	\$40,000	\$0
<i>Funding Source(s)</i>	General Fund			

*Expenditure = Cost of bill

*Appropriation = Authorized funding to cover cost of bill

METHODOLOGY:

This bill establishes the Individual Coverage Health Reimbursement Arrangement (ICHRA) tax credit against the Business Enterprise Tax (BET) and the Business Profits Tax (BPT) for qualified taxpayers that adopted a health reimbursement arrangement, as described in Section 9831(d) of the Internal Revenue Code, in lieu of a traditional employer provided health insurance plan. Employers may claim credit for up to \$300 in contributions per covered employee in the first two years of contributing to such plans. The credit is limited to \$2.5 million per state fiscal year in aggregate and is intended to be awarded on a “first come first served” basis.

The credit is to be used first against the BET and then any unused credit may be claimed against the BPT. The credit is “cascading” meaning any credit used to reduce BET liability would be considered “taxes paid” for purposes of the BET credit against the BPT. Unused credits may be carried forward for up to three years following the year of the expenditures.

The Department is not able to determine the magnitude of the fiscal impact due to the unpredictability of the credit being claimed and the associated business tax liability of the affected businesses. The Department states the maximum decrease in general fund and education trust fund revenue would be \$2.5 million in the first year and indeterminable each

fiscal year thereafter as it is not known how much of the credit will be requested and used or when carry forward credits will be used.

The Department will need to develop an application and award process for purposes of administering the credit including the need to modify applicable business tax forms and instructions. Updates to the Revenue Information Management System will be needed to permit the claiming of the credit, managing the credit and managing the credit carry forwards. Based on estimates provided by its vendor, it is estimated to cost \$40,000 to adequately modify the electronic system to implement this credit program and to not cause other work to not be completed. This bill appropriates \$40,000 of general funds for the fiscal year ending June 30, 2028 (FY 2028).

AGENCIES CONTACTED:

Department of Revenue Administration