Senate Ways and Means Committee

Sonja Caldwell 271-2117

SB 636-FN, establishing tax credits for qualifying small businesses against documented tariff-related costs.

Hearing Date: January 14, 2026

Members of the Committee Present: Senators Lang, Sullivan and Fenton, McConkey, Perkins Kwoka

Members of the Committee Absent : Senators Murphy and Rosenwald

Bill Analysis: This bill establishes tax credits for qualifying small businesses against documented tariff-related costs.

Sponsors:

Sen. Fenton	Sen. Rosenwald	Sen. Perkins Kwoka
Sen. Long	Sen. Watters	Sen. Prentiss
Sen. Altschiller	Rep. Burroughs	

Who supports the bill: Sen. Fenton, Jody Breneman, Sen. Rosenwald, Sarah McCarthy,Kent Hackmann, Bridget Powers, Jack Hurley, Janine Fabiano, Cindy Raspiller, Maureen Ellerman, Victoria Marie De Barbieri, Donna Veilleux, Susan Liebowitz, Jill Weber, Russell Siggelkoe, Andrew Jones, Gary Devore, Lynn Merlone, Patricia Martin, Elizabeth Molloy, Jane Hershey, Linda Henderson, Denise Clark, Katie McLaughlin, April Ingram, Joanna Andros, Deborah Klein Walker, Jana Sellarole, Regan Lamphier, Marilyn Wilking, Regina Conrad, Mary Alice Schatzle, Karen Chase, Sarat Rogers, Susan Moore, Lois Cote, Nancy Brennan, Gabriele Lieberg

Who opposes the bill: Julie Smith, Sue Cullen, Dorthea Vecchiotti

Who is neutral on the bill: Lauren O'Sullivan (DRA)

Summary of testimony presented:

Sen. Fenton

- This bill is designed to provide targeted and responsible relief to NH small businesses that are facing increased costs as a result of federal tariffs. These tariff related costs are real, documented, and disproportionately impact small manufacturers and locally owned businesses that lack ability to pass on such sudden cost hikes.

- The goal is to help NH small businesses stay competitive and keep people employed.
- Sen. Fenton presented amendment 0074s. He said it fixes the concerns that were raised by the DRA, strengthens and narrows the scope, and improves administration.
- The amendment creates a single, clear tax credit. As introduced, the bill had parallel tax credits for both the BPT and BET and that structure did not make any sense. The amendment establishes one primary tax credit under the BET, with any unused portion allowed to flow to the BPT.
- It also narrows eligibility to true NH operating businesses. It tightens the definition of small business to ensure the credit reaches businesses organized or domiciled in NH. They must have a place of business in NH, and they must maintain a NH payroll. Passive real estate entities are excluded.
- It also prevents abuse through entity splitting, which was another concern of the DRA. It adds safeguards to prevent controlled, or commonly owned entities, from breaking up into smaller pieces to claim multiple credits. Controlled groups are treated as a single taxpayer for purposes of the tax cap, and the $7,500 credit applies once per operating business. This ensures fairness and protects the integrity of the program.
- It also clarifies application timing and administration. It clarifies that credits be applied to the tax year in which the tariff costs were incurred. Application time does not shift for the applicable tax year, and the DRA has clear authority to manage documentation, proration under the cap, and audits. It resolves any administration uncertainty.
- This bill has one simple purpose: to keep small businesses afloat in the face of costs they did not create or control. Sen. Fenton concluded by saying a small fiscal note of $8 million to protect our small businesses is worth it.

Sen. Lang asked about the definition of tariff related costs and how a small business would identify what tariff related costs are for them, especially if they are not a direct importer. He read from Line 31 and asked how a small business would be able to get the information they need to qualify for the tax credit from a supplier regarding what the direct cost of the tariffs are.

Sen. Fenton said small businesses keep ledgers and these are documented expenses and things they report already. If your supplier increases costs because of tariffs, it is well documented.

Sen. Lang asked how a business would document that.

Sen. Fenton said the bill gives rules and administration to the DRA. He read from line 20 on page 2 of the original bill. It references invoices, and tariff classification codes.

Jody Breneman

- Ms. Breneman owns a book and toy store in Portsmouth. Her parents started the business in 1978.
- The tariffs were introduced in February and in April companies started notifying them how they were handling them. Some were very transparent and said it would be seen in a cost increase across products, and some said there would be a line item. With others they didn't know what the increases were attributable to.
- She is part of a local retailers association and there is a lot of concern over tariffs.
- One of her companies is Douglas Toys in Keene, NH and they have increased prices incrementally twice during the time that tariffs were introduced.
- Tariffs are adding 145% tax on every toy imported from China.
- All of their manufacturers have applied increases due to the tariffs.
- In 2024 their profit margin was 49.5% and in 2025 it was 48.33%. This resulted in a 2.3% increase in costs compared to 2024 and forced them to buy more conservatively.
- Most of their manufacturers are medium sized businesses and are apologetic. They have had layoffs as well.
- There have been shipping delays because of the tariffs.
- In terms of whether they would qualify for the tax credit, she stated they would have to review their invoices and do a lot of math.

Sen. Fenton asked if she is receiving any guidance on the tariffs from the federal or state government.

Ms. Breneman said no. She is just hearing about it from the news.

Sen. Perkins Kwoka asked if she has seen any decrease in foot traffic from decreased Canadian tourism.

Ms. Breneman said they have definitely seen a decrease in the Canadian tourists.

Sen. McConkey said he owns a convenience store, and they also heard rumors of what was going to happen with regard to tariffs and he heard the 145% number but hasn't seen this develop with regard to his business. He asked her specifically if she has seen the 145%. He added that there were threats of very large numbers but they came down to 25%.

Ms. Breneman said in some cases they have. When they buy something wholesale, there have been 20% increases.

Sen. Lang said that while everyone was very concerned with the tariffs in early 2025, once they settled, a lot of countries have or are repealing and reducing retaliatory tariffs.

Lauren O'Sullivan – DRA

- Ms. O’Sullivan said it sounds like the amendment addresses the DRA’s concerns.
- They do have a tax expenditure report and the original bill asked for a separate report on the tax expenditure for this credit. They believe it would be easier to amend RSA 71-C to include this credit.
- The DRA takes no position on the bill

Sen. Lang asked about the administrative burden of this bill.

Ms. O’Sullivan said she would get back to him. She understands the proration piece, but with regard to the proofs that they need, she needs to look into that.

sc
Date Hearing Report completed: January 16, 2026