

HB 1546-FN - AS INTRODUCED

2026 SESSION

26-2789

07/09

HOUSE BILL ***1546-FN***

AN ACT repealing the business profits tax.

SPONSORS: Rep. Ankarberg, Straf. 7; Rep. Tom Mannion, Hills. 1; Rep. Warden, Hills. 39

COMMITTEE: Ways and Means

ANALYSIS

This bill repeals the business profits tax and all references thereto.

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Matter which is either (a) all new or (b) repealed and reenacted appears in regular type.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 repealing the business profits tax.

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

1 1 The State and Its Government; State Treasurer; Application of Receipts. Amend RSA 6:12,
2 I(b)(65) to read as follows:

3 (65) Money received under ~~[RSA 77-A,]~~ RSA 77-E, RSA 78, RSA 78-A, RSA 78-B,
4 RSA 83-F, RSA 284:44 and RSA 284:47, and from the sweepstakes fund, which shall be credited to
5 the education trust fund under RSA 198:39.

6 2 The State and Its Government; State Treasurer; Exemptions From Certain Reporting
7 Requirements. Amend RSA 6:12-k, I(d) to read as follows:

8 (d) RSA 6:12, I, (b)(65), relative to money received under ~~[RSA 77-A,]~~ RSA 77-E, RSA 78,
9 RSA 78-A, RSA 78-B, RSA 83-F, RSA 284:44 and RSA 284:47, and from the sweepstakes fund, which
10 shall be credited to the education trust fund under RSA 198:39.

11 3 The State and Its Government; State Treasurer; Investment of Funds. Amend RSA 6:8, I-a(c)
12 to read as follows:

13 (c) The out-of-state bank pays the business enterprise tax ~~[or business profits tax]~~ based
14 on its business activity in the state during its fiscal year.

15 4 The State and Its Government; Legislative Ethics Committee; Financial Disclosure Form.
16 Amend RSA 14-B:8, III(q) to read as follows:

17 (q) New Hampshire taxes, specifying if ~~[business profits tax or]~~ business enterprise tax.

18 5 The State and Its Government; Financial Disclosure; Form of Disclosure. Amend RSA 15-A:5,
19 I(d)(17) to read as follows:

20 (17) New Hampshire taxes, specifying if ~~[business profits tax or]~~ business enterprise
21 tax.

22 6 The State and Its Government; Department of Revenue Administration; Confidentiality of
23 Department Records. Amend RSA 21-J:14, V(d)(10) to read as follows:

24 (10) An officer or employee of the insurance department, pursuant to an agreement
25 for exchange of information between the department and the insurance department, ~~[for the~~
26 ~~purposes of sharing information received by the department from insurance companies that claim a~~
27 ~~business enterprise tax credit, pursuant to RSA 400-A:34 a,]~~ and only to the extent necessary, for the
28 administration and collection of tax premiums by the insurance department. The information
29 disclosed pursuant to such exchange agreement shall not include records, files, returns, or
30 information disclosed to officers or employees of the department by any other state, pursuant to a
31 compact for the exchange of information between the department and any other state, unless

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1 permitted by such state or compact. Officers or employees of the insurance department, having in
2 their custody or control any confidential taxpayer information obtained from the department
3 pursuant to the exchange agreement authorized under this subparagraph, shall be subject to the
4 provisions of RSA 21-J:14.

5 7 The State and Its Government; Department of Revenue Administration; Penalty for Failure to
6 File. Amend RSA 21-J:31 to read as follows:

7 21-J:31 Penalty for Failure to File. Any taxpayer who fails to file a return when due, unless an
8 extension has been granted by the department, shall pay a penalty equal to 5 percent of the amount
9 of the tax due or \$10, whichever is greater, for each month or part of a month during which the
10 return remains unfiled. The total amount of any penalty shall not, however, exceed 25 percent of the
11 amount of the tax due or \$50, whichever is greater. This penalty shall not be applied in any case in
12 which a return is filed within the extended filing period as provided in ~~[RSA 77-A:9,]~~ RSA 77-E:8,
13 RSA 83-C:6, RSA 84-A:7, or RSA 84-C:7, or the failure to file was due to reasonable cause and not
14 willful neglect of the taxpayer. The amount of the penalty is determined by applying the
15 percentages specified to the net amount of any tax due after crediting any timely payments made
16 through estimating or other means.

17 8 Department of Revenue Administration. Amend RSA 21-J:33-a, I to read as follows:

18 I. If there is a substantial understatement of tax imposed under ~~[RSA 77-A,]~~ RSA 77-E, RSA
19 78-A, RSA 78-C, RSA 82-A, RSA 83-C, or RSA 84-A for any taxable period, there shall be added to
20 the tax an amount equal to 25 percent of the amount of any underpayment attributable to such
21 understatement.

22 9 The State and Its Government; Department of Revenue Administration; Extension of Tax
23 Filing Deadlines for Members of the Armed Forces and National Guard. Amend RSA 21-J:46, III to
24 read as follows:

25 III. This section shall apply only to tax returns and associated payments under ~~[RSA 77-A~~
26 ~~and]~~ RSA 77-E.

27 10 Taxation; Tax Expenditures and Potential Liability Reports; Tax Expenditures Specified.
28 Amend RSA 71-C:2 to read as follows:

29 71-C:2 Tax Expenditures Specified. Tax expenditures include, but may not be limited to, the
30 community development finance authority investment tax credit as computed in RSA 162-L:10; the
31 economic revitalization zone tax credit as computed in RSA 162-N:6; ~~[the research and development~~
32 ~~tax credit under RSA 77-A:5, XIII;]~~ the Coos county job creation tax credit under RSA 77-E:3-c; the
33 education tax credit as computed in RSA 77-G:4; the regional career and technical education center
34 tax credit pursuant to RSA 188-E:9-a; and the exemption for qualified regenerative manufacturing
35 companies allowed under ~~[RSA 77-A:1, I and]~~ RSA 77-E:1, III.

36 11 Taxation; Tax Expenditure and Potential Liability Reports; Tax Expenditure and Potential
37 Liability Report. Amend RSA 71-C:4, I and II to read as follows:

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1 I. On or before December 15 of every fiscal year the commissioner of the department of
2 revenue administration shall certify in a report to the general court and the governor an analysis of
3 each of the past fiscal year's tax expenditures as identified in RSA 71-C:2, and other credits allowed
4 under ~~[RSA 77-A,]~~ RSA 77-E, RSA 77-G, RSA 78, RSA 78-A, 78-B, RSA 82-A, RSA 84-A, RSA 84-C,
5 and RSA 400-A.

6 II. The report shall be divided into the following parts:

7 (a) Tax expenditures as determined by the joint committee on tax expenditure review
8 under RSA 71-C:3;

9 (b) Potential liabilities against the state's revenues, specifically:

10 (1) Other credits allowed under ~~[RSA 77-A,]~~ RSA 77-E, RSA 77-G, RSA 78, RSA 78-
11 A, RSA 78-B, RSA 82, RSA 82-A, RSA 83-E, RSA 84-A, RSA 84-C~~], and RSA 400-A against the~~
12 ~~business profits tax imposed by RSA 77-A;]~~ and

13 (2) Credit carryovers from overpaid taxes.

14 12 Taxation; Business Enterprise Tax; Definitions. Amend RSA 77-E:1, V to read as follows:

15 V. For taxable periods beginning on or after January 1, 2013, "compensation" means:

16 (a) All wages, salaries, fees, bonuses, commissions, or other payments paid directly or
17 accrued by the business enterprise in the taxable period on behalf of or for the benefit of employees,
18 officers, or directors of the business enterprise and subject to or specifically exempt from withholding
19 under section 3401 of the United States Internal Revenue Code except such payments as are made
20 expressly exempt from withholding under sections 3401(a)(1), (9), (10), (13), (14), (15), (16), (18), (19),
21 and (20); and except any tips required to be reported by the employee to the employer under section
22 6053(a) of the United States Internal Revenue Code; and

23 ~~[(b) The amount of any deduction taken under RSA 77-A:4, III in the taxable period; and]~~

24 ~~[(e)]~~ (b) Any net earnings from self-employment subject to tax under section 1401 of the
25 United States Internal Revenue Code ~~[to the extent not included in the amount of any deduction~~
26 ~~taken under RSA 77-A:4, III in the taxable period].~~

27 13 Taxation; Business Enterprise Tax; Definitions. Amend RSA 77-E:1, XIV(b) to read as
28 follows:

29 (b) A qualified investment company shall limit its activities to investment or other
30 activities consistent with its organizational purpose and those incidental to or in support of such
31 activities provided that any such exception from investment company status by reason of section
32 3(c)(7) is available only to issuers whose securities are owned by persons or organizations who are
33 deemed under section 3(c)(7) or any order, regulation or interpretation thereunder not to require
34 protection under the provisions of the Investment Company Act by reason of their size, nature,
35 status, or sophistication. ~~[A business organization seeking qualified investment company status~~
36 ~~shall file an election pursuant to RSA 77-A:5 b.]~~

1 14 Taxation; Business Profits Tax; Definitions. RSA 77-E:1, XIV-a is repealed and reenacted to
2 read as follows:

3 XIV-a "Qualified regenerative manufacturing company" means any business organization
4 which meets each of the following requirements at all times during the entire taxable year:

5 (a)(1) It files with its return for the taxable year an election to be a qualified
6 regenerative manufacturing company in accordance with RSA 77-A:5-c or has made such election for
7 a previous taxable year; and

8 (2) At least 75 percent of its business activities over the course of the tax year meet
9 the requirements for an active regenerative manufacturing business, or, in the case of a subsidiary
10 located in New Hampshire, 75 percent of that subsidiary's business activities meet the requirements
11 for an active regenerative manufacturing business.

12 (b) For purposes of this paragraph, the term "regenerative manufacturing" means any
13 aspect of the manufacturing of blood, tissues, tissue constructs, and organs for the purpose of
14 researching, diagnosing, treating, or curing any disease or injury, such as (1) cell collection, culture
15 and scale-up, (2) biomaterial selection and scale-up, (3) tissue process automation and monitoring,
16 (4) tissue maturing, and (5) tissue preservation and transport.

17 (c) For purposes of this paragraph, the term "active regenerative manufacturing
18 business" means the conduct of any business activity the primary focus of which is any one or more
19 of the following areas:

20 (1) Performing research relating to regenerative manufacturing;

21 (2) Performing regenerative manufacturing activities;

22 (3) Researching, developing, manufacturing, or supplying technical services in
23 support of regenerative manufacturing, such as process engineering, automation, facility set-up, and
24 distribution services;

25 (4) Researching, developing, manufacturing, or supplying technologies utilized in
26 regenerative manufacturing, such as cellular and non-cellular source materials, tools, equipment,
27 reagents, and other supplies; and

28 (5) Performing any activity necessary to bring a product created through
29 regenerative manufacturing to market, including but not limited to seeking patents, regulatory
30 approval, performing clinical trials, and sales.

31 15 Taxation; Business Enterprise Tax; Special Adjustments. Amend RSA 77-E:3, I to read as
32 follows:

33 I. In the case of a business enterprise, the enterprise value tax base of which includes
34 compensation derived from self-employment income subject to tax under section 1401 of the United
35 States Internal Revenue Code, a deduction of such amounts of compensation as are retained for use
36 in the business enterprise~~[- except that no amount of compensation deducted under RSA 77-A:4, III~~

1 ~~shall be included in this deduction~~. The burden shall be upon the business enterprise to show that
2 any amounts deducted have actually been retained for use in the business enterprise.

3 16 Taxation; Business Enterprise Tax; Apportionment. Amend RSA 77-E:4, I(a)(1) to read as
4 follows:

5 (1) Include the amount ~~[of any deduction taken pursuant to RSA 77-A:4, III, the~~
6 ~~amount]~~ relating to self-employment income and the amount relating to wages and salaries subject
7 to or specifically exempt from withholding under section 3401 of the United States Internal Revenue
8 Code except such payments as are made expressly exempt from withholding under sections
9 3401(a)(1), (9), (10), (13), (14), (15), (16), (18), (19), and (20); and

10 17 Taxation; Education Tax Credit; Definitions. RSA 77-G:1, III is repealed and reenacted to
11 read as follows:

12 I. "Business organization" means any enterprise, whether corporation, partnership, limited
13 liability company, proprietorship, association, business trust, real estate trust or other form of
14 organization; organized for gain or profit, carrying on any business activity within the state, except
15 such enterprises as are expressly made exempt from income taxation under the United States
16 Internal Revenue Code. Trusts or foundations treated as grantor trusts under section 671 of the
17 United States Internal Revenue Code shall be included in the return of their owners, and such
18 owners shall be subject to the tax thereon to the extent such owners would be considered a business
19 organization hereunder notwithstanding the existence of the trust or foundation. The use of
20 consolidated returns as defined in the United States Internal Revenue Code is not permitted.
21 Notwithstanding any other provision of this paragraph, an enterprise shall not be characterized as a
22 business organization and shall be excluded from taxation at the entity level if it elects to be treated
23 as a qualified investment company or if it elects to be treated as a qualified regenerative
24 manufacturing company. A partnership, limited liability company, estate, trust, or foundation
25 except grantor trusts pursuant to section 671 of the United States Internal Revenue Code, "S"
26 corporation, real estate investment trust, or any other such entity, other than an organization
27 electing to be treated as a qualified investment company whose net income is reportable by the true
28 owners either directly or indirectly, or an organization electing to be treated as a qualified
29 regenerative manufacturing company, shall be subject to tax at the entity level, and no part of such
30 earnings or loss shall be included in the calculation of the gross business profits of the owners of
31 such entity.

32 18 Taxation; Education Tax Credit; Scholarship Organizations. Amend RSA 77-G:5, I(i)(2) to
33 read as follows:

34 (2) Not knowingly award a scholarship to any lineal descendant or equivalent step-
35 person of any proprietor, partner, or member of any business organization, business enterprise, or
36 individual making a contribution to a scholarship organization and claiming a credit against the
37 ~~[business profits tax or]~~ business enterprise tax, nor any lineal descendant or equivalent step-person

1 of any officer, director, or owner of more than a 5 percent interest in any business organization,
2 business enterprise, or individual making a contribution to a scholarship organization and claiming
3 a credit against the ~~[business profits tax or]~~ business enterprise tax, nor any employee who is among
4 the highest-paid 20 percent of paid employees in any business organization, business enterprise, or
5 individual making a contribution to a scholarship organization and claiming a credit against the
6 ~~[business profits tax or]~~ business enterprise tax.

7 19 Acquisition of Lands by United States; Federal Aid; Relocation Assistance and Real Property
8 Acquisition; Payments not Income or Resources. Amend RSA 124-A:12 to read as follows:

9 124-A:12 Payments not Income or Resources. No payment received by a displaced person under
10 this chapter shall be considered as income for the purpose of determining the eligibility or extent of
11 eligibility of any person for assistance under any state law or for the purposes of ~~[RSA 77-A or]~~ any
12 ~~[other]~~ direct or indirect tax on income under state law.

13 20 Public Safety and Welfare; Economic Revitalization Zone Tax Credits; Application of
14 Economic Revitalization Zone Tax Credit. Amend RSA 162-N:7 to read as follows:

15 162-N:7 Application of Economic Revitalization Zone Tax Credit. The economic revitalization
16 zone tax credit shall be applied against the ~~[business profits tax under RSA 77-A, and any unused~~
17 ~~portion thereof may be applied against the]~~ business enterprise tax under RSA 77-E. Any unused
18 portion of the credit allowed under this chapter or any eligible credit in excess of \$40,000 allowed
19 under this chapter, may be carried forward and allowed against taxes due under ~~[RSA 77-A or]~~ RSA
20 77-E for 5 taxable periods from the taxable period in which the tax was paid. ~~[For the purpose of the~~
21 ~~credit allowed under RSA 77-A:5, X, the economic revitalization zone credit shall be considered taxes~~
22 ~~paid under RSA 77-E.]~~

23 21 Public Safety and Welfare; Regenerative Manufacturing Workforce Development Program;
24 Acquisition of Student Loans of Qualified New Hampshire Employees. Amend RSA 162-T:2, III(b) to
25 read as follows:

26 (b) The person shall be employed to perform primarily active regenerative
27 manufacturing business activities ~~[as that term is defined in RSA 77-A:1, XXX]~~ and the principal
28 office at which such person is employed is located within New Hampshire;

29 22 Labor; Employee Leasing Companies; Tax Credits. Amend RSA 277-B:17-a to read as
30 follows:

31 277-B:17-a Tax Credits. For purposes of determination ~~[of business profits tax credits under~~
32 ~~RSA 77-A,]~~ Coos county job creation credits under RSA 162-Q, economic revitalization zone credits
33 under RSA 162-N, or any other available statutory tax credits provided by this state that are based
34 on employment, leased employees shall be deemed employees solely of the client company if an
35 election is made pursuant to RSA 77-E:13-a. A client company shall be entitled to the benefit of any
36 such tax credit arising as the result of the employment of leased employees of such client company.
37 Notwithstanding that the employee leasing company is the W-2 reporting employer, the client

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1 company shall continue to qualify for ~~[business profits tax credits under RSA 77-A,]~~ Coos county job
2 creation credits under RSA 162-Q, economic revitalization zone credits under RSA 162-N, or any
3 other available statutory tax credits. Leased employees working for other client companies of the
4 employee leasing company shall not be counted together. Each employing leasing company shall
5 provide, upon request by a client company, state agency, or department responsible for
6 administration of any such tax credit, employment information reasonably required by such agency
7 or department and necessary to support any request, claim, application, or other action by a client
8 company seeking any such tax credit. This section shall not apply to the administration of RSA 282-
9 A.

10 23 Corporations, Associations, and Proprietors of Common Lands; Dissolution; Effect of
11 Dissolution. Amend RSA 293-A:14.05, (b) to read as follows:

12 (b) Prior to making any distributions of its remaining property among its shareholders
13 according to their interests, the corporation shall first obtain a certificate of dissolution from the
14 department of revenue administration in accordance with ~~[RSA 77-A:18 and]~~ RSA 77-E:12.

15 24 Corporations, Associations, and Proprietors of Common Lands; Dissolution; Reinstatement
16 Following Administrative Dissolution. Amend RSA 293-A:14.22, (a)(4) to read as follows:

17 (4) contain a certificate from the department of revenue administration in
18 accordance with ~~[RSA 77-A:18, III, and]~~ RSA 77-E:12, III, if such application is received by the
19 secretary of state more than 120 days after the notice of administrative dissolution is mailed.

20 25 Corporations, Associations, and Proprietors of Common Lands; Foreign Corporations;
21 Authority to Transact Business Required. Amend RSA 293-A:15.01, (d) to read as follows:

22 (d) Nothing in this section shall be construed so as to preclude a determination that a
23 foreign corporation is carrying on business activity within this state ~~[within the meaning of RSA 77-
24 A:1, XII].~~

25 26 Corporations, Associations, and Proprietors of Common Lands; Foreign Corporations;
26 Authority to Transact Business Required. Amend RSA 293-A:15.20, (b)(6) to read as follows:

27 (6) a statement of withdrawal from the New Hampshire department of revenue
28 administration in accordance with ~~[RSA 77-A:18, II and]~~ RSA 77-E:12, II.

29 27 Corporations, Associations, and Proprietors of Common Lands; Treatment of New Hampshire
30 Investment Trusts; Definitions. Amend RSA 293-B:2, IV to read as follows:

31 IV. "New Hampshire investment trust" means a ~~["qualified investment company" as defined
32 in RSA 77-A:1, XXI]~~ **qualified investment company**.

33 28 Corporations, Associations, and Proprietors of Common Lands; Treatment of New Hampshire
34 Investment Trusts; Definitions. Amend RSA 293-B:2, VI to read as follows:

35 VI. "Other investment entity" means an out-of-state investment entity which ~~[meets the
36 definition of a "qualified investment company" as defined in RSA 77-A:1, XXI]~~ **is a qualified**

1 *investment company*, with the exception that such other investment entity need not submit
2 certification to the commissioner.

3 29 Partnerships; Foreign Limited Liability Companies; Transactions Not Constituting Doing
4 Business. Amend RSA 304-C:174, III to read as follows:

5 III. This section does not apply in determining the contacts or activities that may subject a
6 foreign limited liability company to service of process or taxation in this state or to regulation under
7 any other law of this state~~[, and nothing in this section shall be construed to preclude a~~
8 ~~determination that a foreign limited liability company is carrying on a business activity in this state~~
9 ~~within the meaning of RSA 77-A:1, XII].~~

10 30 Partnerships; Foreign Limited Liability Companies; Appeals From Revocations. Amend RSA
11 304-C:185, III to read as follows:

12 III. The court may summarily order the secretary of state to reinstate the certificate of
13 authority or may take any other action the court considers appropriate~~[, except that nothing in this~~
14 ~~section shall be construed to preclude a determination that a foreign limited liability company is~~
15 ~~carrying on business activity within this state within the meaning of RSA 77-A:1, XII].~~

16 31 Insurance; Insurance Department; Credit for Business Enterprise Tax. Amend RSA 400-
17 A:34-a to read as follows:

18 400-A:34-a Credit for Business Enterprise Tax. The tax imposed under RSA 77-E shall be
19 allowed as a credit against the taxes due under this chapter ~~[and shall be deemed to be taxes paid~~
20 ~~pursuant to this chapter for the purposes of RSA 77-A:5, III].~~ Any insurer subject to taxation under
21 this chapter shall first apply such credits as provided in this section~~[, and then pursuant to RSA 77-~~
22 ~~A:5, X].~~ The taxes paid pursuant to RSA 77-E by an individual member of a unitary business ~~[within~~
23 ~~the meaning of RSA 77-A:1, XIV]~~ shall be allowed as a credit against any other individual member's
24 liability under this chapter, provided that such other member is also subject to the tax imposed by
25 this chapter. To the extent the credit for taxes paid pursuant to RSA 77-E exceeds the taxes imposed
26 under this chapter, such excess shall be deemed to be taxes imposed under RSA 77-E ~~[and shall be~~
27 ~~allowed as a credit against the taxes due under RSA 77-A as provided by RSA 77-A:5, X].~~

28 32 Repeals. The following are repealed:

29 I. RSA 21-J:45, I(a), relative to the reporting of business profits taxes.

30 II. RSA 21-J:28-b, VII, relative to the department of revenue administration bearing the
31 burden of proof on any change to any compensation deduction under RSA 77-A.

32 III. RSA 77-A, relative to the business profits tax.

33 IV. RSA 77-E:3-b, relative to unused research and development tax credits.

34 V. RSA 77-E:3-f, relative to unused granite patron of the arts tax credits.

35 VI. RSA 77-E:5-a, relative to the election of qualified investment company status.

36 VII. RSA 77-E:13, relative to the application of credit for business enterprise tax against the
37 business profits tax.

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1 VIII. RSA 77-E:13-a, II, relative to employee leasing companies eligible for tax credits.

2 IX. RSA 77-G:3, relative to equal contribution credits made to scholarship organizations.

3 X. RSA 162-L:10, I(a), relative to new investment tax credits made in combination with
4 business enterprise tax credits.

5 XI. RSA 162-L:10, II, relative to new investment tax credit made in combination with
6 business enterprise tax credits.

7 XII. RSA 162-N:5, relative to limits on total economic revitalization zone tax credits.

8 XIII. RSA 162-P:1, relative to the research and development tax credit program report.

9 XIV. RSA 188-E:9-a, IV, relative to tax credits for donations to regional career and technical
10 education center programs.

11 XV. RSA 188-E:9-a, VI, relative to tax credit statements for donations to regional career and
12 technical education center programs.

13 XVI. RSA 198:39, II(a), relative to funds certified to the state treasurer by the commissioner
14 of the department of revenue administration.

15 XVII. RSA 304-C:138, I(d), relative to a certificate mailed by the department of revenue
16 administration.

17 XVIII. RSA 304-C:141, I, relative to certificates of dissolution issued by the department of
18 revenue administration.

19 XIX. RSA 304-C:179, I(f), relative to a statement for withdrawal issued by the department of
20 revenue administration.

21 XX. RSA 400-A:32, V, relative to tax credits for certain insurer liability.

22 33 Effective Date. This act shall take effect January 1, 2027.

**HB 1546-FN- FISCAL NOTE
AS INTRODUCED**

AN ACT repealing the business profits tax.

FISCAL IMPACT:

Estimated State Impact				
	FY 2026	FY 2027	FY 2028	FY 2029
Revenue	\$0	Indeterminable Decrease		
<i>Revenue Fund(s)</i>	General Fund and Education Trust Fund			
Expenditures*	\$0	\$9,500	\$0	\$0
<i>Funding Source(s)</i>	General Fund			
Appropriations*	\$0	\$0	\$0	\$0
<i>Funding Source(s)</i>	None			

***Expenditure = Cost of bill**

***Appropriation = Authorized funding to cover cost of bill**

METHODOLOGY:

This bill repeals the Business Profits Tax (BPT) and associated tax credits effective January 1, 2027. The Department of Revenue Administration notes the bill does not specify which tax year the repeal applies. For purposes of this fiscal note, the Department assumes the first tax year impacted by the repeal is Tax Year (TY) 2027 (taxable periods ending on or after December 31, 2027).

The Department notes language should be added to the bill to effectuate the repeal without eliminating the ability of the Department to continue to administer and audit the tax periods prior to the repeal. Additionally, there may need to be further language cleanup in the statutes with deleted references.

The Department states this bill will decrease General Fund and Education Trust Fund revenues by an indeterminable amount. While the Department is not able to provide the exact fiscal impact, using TY 2023 data, most recently complete tax year, with the following assumptions the Department is able to provide an estimated impact of the repeal of the BPT:

- the BPT tax base in future years will be the same as in TY2023.

- To calculate FY2027 through FY2029 revenues under current law as well as the proposed repeal, TY2023 BPT tax base of \$10.9 billion is the starting point. The applicable BPT rate for taxable periods ending on or after December 31, 2023, was 7.5%.
- a fiscal year is comprised of three tax years. The Department did an analysis based on prior years to break out the split of tax year revenue to fiscal year revenue and applied it to FY2027 and each year thereafter as follows: 12% attributable to TY2025, 69% attributable to TY2026, and 19% attributable to TY2027. The table below provides the splits.

Fiscal Year	Tax Year	% Applicable to Tax Year	Current Law BPT Rates	Proposed Law BPT Rates
2027	TY 2025	12%	7.5%	7.5%
	TY 2026	69%	7.5%	7.5%
	TY 2027	19%	7.5%	0.0%
2028	TY 2026	12%	7.5%	7.5%
	TY 2027	69%	7.5%	0.0%
	TY 2028	19%	7.5%	0.0%
2029 and forward	TY 2027 and forward	100%	7.5%	0.0%

Based on the assumptions above, the Department is able to provide the potential impact on revenues in the table below.

Business Profits Tax All Funds- Static Analysis using TY 2023 Liability				
Fiscal Year	Current Law Revenue Using TY2023 BPT Tax	Estimated Revenue with Proposed Legislation	Estimated Fiscal Impact Per Year	Cumulative Fiscal Impact
2027	\$819,600,000	\$663,900,000	(\$155,700,000)	(\$155,700,000)
2028	\$819,600,000	\$98,400,000	(\$721,200,000)	(\$876,900,000)
2029 and Forward	\$819,600,000	\$0	(\$819,600,000)	(\$1,696,500,000)

Further, the Department provided two additional tables - one showing impact on the General Fund and the other showing the impact on the Education Trust Fund.

Business Profits Tax General Fund - Static Analysis using TY 2023 Liability

Fiscal Year	Current Law Revenue Using TY2023 BPT Tax	Estimated Revenue with Proposed Legislation	Estimated Fiscal Impact Per Year	Cumulative Fiscal Impact
2027	\$500,000,000	\$405,000,000	(\$95,000,000)	(\$95,000,000)
2028	\$500,000,000	\$60,000,000	(\$440,000,000)	(\$535,000,000)
2029 and Forward	\$500,000,000	\$0	(\$500,000,000)	(\$1,035,000,000)

Business Profits Tax Education Trust Fund - Static Analysis using TY 2023 Liability				
Fiscal Year	Current Law Revenue Using TY2023 BPT Tax	Estimated Revenue with Proposed Legislation	Estimated Fiscal Impact Per Year	Cumulative Fiscal Impact
2027	\$319,600,000	\$258,900,000	(\$60,700,000)	(\$60,700,000)
2028	\$319,600,000	\$38,400,000	(\$281,200,000)	(\$341,900,000)
2029 and Forward	\$319,600,000	\$0	(\$319,600,000)	(\$661,500,000)

The Department states business taxpayers are allowed to carry over 500% of their prior tax year's liability as an overpayment on account for future tax years. With the elimination of the BPT tax, carry overs from BPT only taxpayers will most likely be refunded. At the end of FY2025 approximately \$152.8 million was estimated to be a liability. Taking the BPT split of 75.7% for TY2023 and applying to the percentage of BPT only filers of 6.3%, there is potential for an additional \$7.3 million in forced refunds during FY 2027 and FY 2028. Refunds are issued from the General Fund.

The Department states the proposed legislation would not result in any additional administrative costs that could not be absorbed in its operating budget other than a mail campaign to inform affected taxpayers of the repeal at a cost of approximately \$9,500.

AGENCIES CONTACTED:

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