

HB 417-FN - AS INTRODUCED

2025 SESSION

25-0605
07/05

HOUSE BILL ***417-FN***

AN ACT relative to repealing the communications services tax.

SPONSORS: Rep. McFarlane, Graf. 18; Rep. Granger, Straf. 2; Rep. Comtois, Belk. 7; Rep. Aures, Merr. 13; Rep. Ulery, Hills. 13; Rep. Soti, Rock. 35; Rep. Harrington, Straf. 18; Rep. Osborne, Rock. 2; Sen. Murphy, Dist 16

COMMITTEE: Ways and Means

ANALYSIS

This bill:

- I. Reduces the rate of the communications services tax for the 2026 tax year.
- II. Abolishes the communications services tax in the 2027 tax year.

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Matter which is either (a) all new or (b) repealed and reenacted appears in regular type.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 Five

AN ACT relative to repealing the communications services tax.

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

1 1 Communications Services Tax; Imposition of Tax; Intrastate Communications Services;
2 Change in Tax Rate. Amend RSA 82-A:3 to read as follows:

3 82-A:3 Imposition of Tax; Intrastate Communications Services. A tax is imposed upon
4 intrastate communications services furnished to a person in this state and purchased at retail from a
5 retailer by such person, at the rate of [7] 4 percent of the gross charge therefor. However, such tax is
6 not imposed on any communications services to the extent a tax on such services may not, under the
7 Constitution and statutes of the United States, be made the subject of taxation by the state.

8 2 Communications Services Tax; Imposition of Tax; Interstate Communications Services;
9 Change in Tax Rate. Amend RSA 82-A:4 to read as follows:

10 82-A:4 Imposition of Tax; Interstate Communications Services. Except as provided in RSA 82-
11 A:4-b, RSA 82-A:4-d, and RSA 82-A:4-e, a tax is imposed upon interstate communications services
12 and private communications services furnished to a person in this state and purchased at retail from
13 a retailer by such person, at the rate of [7] 4 percent of the gross charge when such service
14 purchased on a call-by call basis originates in this state and terminates outside this state or
15 originates outside this state and terminates in this state and the service address is in this state, or
16 when such service purchased on a basis other than a call-by-call basis is provided to a person with a
17 place of primary use in this state or when such private communications services are apportioned to
18 this state in accordance with RSA 82-A:4-c. Provided however, a tax is imposed upon interstate paid
19 calling service furnished to a person in this state and purchased at retail from a retailer by such
20 person, at the rate of [7] 4 percent of the gross charge when the origination point of the
21 communications signal (as first identified by either (a) the seller's telecommunications system, or (b)
22 information received by the seller from its service provider, where the system used to transport such
23 signals is not that of the seller) is in this state. To prevent actual multi-state taxation of
24 communications services that are subject to taxation under this section, any taxpayer, upon proof
25 that the taxpayer has paid a tax in another state on such services, shall be allowed a credit against
26 the tax imposed in this section to the extent of the amount of such tax properly due and paid in such
27 other state. However, such tax is not imposed on communications services to the extent such
28 services may not, under the Constitution and statutes of the United States, be made the subject of
29 taxation by the state.

30 3 Repeal. RSA 82-A, relative to the communications services tax, is repealed.

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1 4 Department of Revenue Administration; Statute of Limitations and Penalties; Substantial
2 Understatement Penalty; Reference Removed. Amend RSA 21-J:33-a, I to read as follows:

3 I. If there is a substantial understatement of tax imposed under RSA 77-A, RSA 77-E, RSA
4 78-A, RSA 78-C, ~~[RSA 82-A,]~~ RSA 83-C, or RSA 84-A for any taxable period, there shall be added to
5 the tax an amount equal to 25 percent of the amount of any underpayment attributable to such
6 understatement.

7 5 Tax Expenditure and Potential Liability Reports; Reference Removed. Amend RSA 71-C:4, I
8 to read as follows:

9 I. On or before December 15 of every fiscal year the commissioner of the department of
10 revenue administration shall certify in a report to the general court and the governor an analysis of
11 each of the past fiscal year's tax expenditures as identified in RSA 71-C:2, and other credits allowed
12 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,
13 and RSA 400-A.

14 6 Tax Expenditure and Potential Liability Reports; Reference Removed. Amend RSA 71-C:4,
15 II(b)(1) to read as follows:

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

19 7 Persons and Property Liable to Taxation; Property Taxes; Public Utilities; Reference Removed.
20 Amend RSA 72:12 to read as follows:

21 72:12 Public Utilities. All real estate of railroads and other public utility corporations and
22 companies which is not taxed under RSA 82 ~~[and 82-A]~~ shall be appraised and taxed by the
23 authorities of the town in which it is situated.

24 8 Sheriffs, Constables, and Police Officers; Enhanced 911 System; Funding; Fund Established;
25 Reference Removed. Amend RSA 106-H:9, III(a) to read as follows:

26 III.(a) Notwithstanding any other provision of law, ~~[and except as otherwise provided in~~
27 ~~RSA 82-A,]~~ the records and files of the department, related to this section, are confidential and
28 privileged. Neither the department, nor any employee of the department, nor any other person
29 charged with the custody of such records or files, nor any vendor or any of its employees to whom
30 such information becomes available in the performance of any contractual services for the
31 department shall disclose any information obtained from the department's records, files, or returns
32 or from any examination, investigation, or hearing, nor may any such employee or person be
33 required to produce any such information for the inspection of any person or for the use in any action
34 or proceeding except as provided in this paragraph.

35 9 Sheriffs, Constables, and Police Officers; Enhanced 911 System; Funding; Fund Established;
36 Reference Removed. Amend RSA 106-H:9, III(b)(3) to read as follows:

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1 (3) Disclosure to the department of revenue administration of records, files, and
2 information required ~~[by the department of revenue administration to administer the~~
3 ~~communications services tax pursuant to RSA 82-A and]~~ to assist the bureau in its administration of
4 RSA 106-H:9.

5 10 Occupations and Professions; State of Emergency Waivers for Out-of-State Businesses and
6 Employees; Definitions; Definition Changed. RSA 319-D:1, I is repealed and reenacted to read as
7 follows:

8 I. "Communications services" means services for transmitting, emitting, or receiving signs,
9 signals, writing, images, sounds or intelligence of any nature by any electromagnetic system capable
10 of 2-way communication and includes, without limitation, messages or information transmitted
11 through use of local, toll and wide area telephone service; private line services and networks,
12 whether leased, rented or owned; channel services; telegraph services; teletypewriter services; cable
13 television; computer exchange services; mobile telecommunications services; prepaid wireless
14 telecommunications services; VoIP; facsimile services; specialized mobile radio; stationary 2-way
15 radio; paging services; or any other form, whether stationary, portable or mobile, of 2-way
16 communications; or any other transmission of messages or information by electronic or similar
17 means, between or among points by wire, cable, fiber-optics, laser, microwave, radio, satellite or
18 similar facilities. "Communications services" shall not include:

19 (a) Value added services in which computer processing applications are used to act on
20 the form, content, code and protocol of the information for purposes other than transmission;

21 (b) Purchases of communications services by a communications services provider for use
22 as a component part of the service provided by him to the ultimate retail consumer who originates or
23 terminates the taxable end-to-end communications, including carrier access charges, right of access
24 charges, charges for use of inter-company facilities, and all communications services resold in the
25 subsequent provision of, used as a component of, or integrated into end-to-end communications
26 services;

27 (c) The one-way transmission of radio or television programming, by cable, broadcast,
28 satellite, microwave or similar facility, which is made available generally to any person able to
29 receive such transmission, together with the interaction, if any, of such person required for the
30 selection of such programming other than by use of the same facility by which such transmission
31 was received; or

32 (d) Internet access.

33 11 Effective Date.

34 I. Sections 1 and 2 of this act shall take effect July 1, 2025.

35 II. The remainder of this act shall take effect July 1, 2026.

**HB 417-FN- FISCAL NOTE
AS INTRODUCED**

AN ACT relative to repealing the communications services tax.

FISCAL IMPACT:

Estimated State Impact				
	FY 2025	FY 2026	FY 2027	FY 2028
Revenue	\$0	Indeterminable Decrease	Indeterminable Decrease	Indeterminable Decrease
<i>Revenue Fund(s)</i>	General Fund			
Expenditures*	\$0	\$0	\$0	\$0
<i>Funding Source(s)</i>	None			
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 would decrease the Communications Services Tax (CST) rate from 7 percent to 4 percent effective July 1, 2025 and repeal the CST effective July 1, 2026. The decrease in the tax rate and eventual repeal of the CST will decrease General Fund revenue by an indeterminable amount. The Department of Revenue Administration is not able to estimate the amount of revenue from the CST for future years. The Department notes the CST cash basis revenue for fiscal year (FY) 2024 was \$30.6 million. If the amount of revenue collected in FY 2024 were to remain the same in future years, General Fund revenue would decrease by \$7.7 million in FY 2026 and by \$30.6 million in FY 2027 and each year thereafter.

CST returns must be filed on the 15th day of the month for the preceding calendar month, accompanied by the tax collected. For those CST taxpayers with an estimated monthly liability in excess of \$10,000, they are required to provide an estimated payment equal to 90% of the actual tax collected on or before the 15th day of the month during which the liability is incurred. This requirement results in a nominal amount of revenue being attributable to the prior month. Therefore, a nominal amount of revenue received in July 2025 would be attributable to the June 2025 taxable period at the 7 percent tax rate. Additionally, with a repeal date of July 1, 2026 a nominal amount of revenue would be received in July 2026 attributable to the June 2026 taxable period.

The Department would need to update all necessary tax forms and electronic management systems related to CST, however it is not anticipated this bill would result in any additional administrative costs that could not be absorbed in the Department's operating budget.

AGENCIES CONTACTED:

Department of Revenue Administration