HB 529-FN-A-LOCAL - AS INTRODUCED

2017 SESSION

17-0100
09/10

HOUSE BILL ***529-FN-A-LOCAL***

AN ACT phasing out and repealing the interest and dividends tax.

SPONSORS: Rep. Weyler, Rock. 13; Rep. Kurk, Hills. 2; Rep. L. Ober, Hills. 37; Rep. Nigrello, Rock. 16; Rep. Ohm, Hills. 36; Rep. Schleien, Hills. 37; Rep. Ladd, Graf. 4; Sen. Avard, Dist 12; Sen. Birdsell, Dist 19

COMMITTEE: Ways and Means

ANALYSIS

This bill phases out the interest and dividends tax over a 4-year period and repeals the tax on January 1, 2022.

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Matter which is either (a) all new or (b) repealed and reenacted appears in regular type.

17-0100
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STATE OF NEW HAMPSHIRE

In the Year of Our Lord Two Thousand Seventeen

AN ACT phasing out and repealing the interest and dividends tax.

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

1 Rate. Amend RSA 77:1 to read as follows:

77:1 Rate. The annual tax upon incomes shall be levied at the rate of [~~5~~] ***4*** percent.

2 Rate. Amend RSA 77:1 to read as follows:

77:1 Rate. The annual tax upon incomes shall be levied at the rate of [~~4~~] ***3*** percent.

3 Rate. Amend RSA 77:1 to read as follows:

77:1 Rate. The annual tax upon incomes shall be levied at the rate of [~~3~~] ***2*** percent.

4 Who Taxable. Amend RSA 77:3 to read as follows:

77:3 Who Taxable.

I. Taxable income is that income received from interest and dividends during the tax year prior to the assessment date by:

(a) Individuals who are inhabitants or residents of this state for any part of the taxable year whose gross interest and dividend income from all sources, including income from a qualified investment company pursuant to RSA 77:4, V, exceeds [~~$2,400~~] ***$4,800*** during that taxable period.

(b) Partnerships, limited liability companies, and associations, the beneficial interest in which is not represented by transferable shares, whose gross interest and dividend income from all sources exceeds [~~$2,400~~] ***$4,800*** during the taxable year, but not including a qualified investment company as defined in RSA 77-A:1, XXI, or a trust comprising a part of an employee benefit plan, as defined in the Employee Retirement Income Security Act of 1974, section 3.

(c) Executors deriving their appointment from a court of this state whose gross interest and dividend income from all sources exceeds [~~$2,400~~] ***$4,800*** during the taxable year.

II. No person shall be subject to tax under RSA 77 solely due to its holding an ownership interest in a qualified investment company as defined in RSA 77-A:1, XXI.

5 Exemptions. Amend RSA 77:5 to read as follows:

77:5 Exemptions. Each taxpayer shall have the following exemptions:

I. Income of [~~$2,400~~] ***$4,800***.

II. An additional [~~$1,200~~] ***$2,400*** if either or both taxpayers are 65 years of age or older on the last day of the tax year.

III. An additional [~~$1,200~~] ***$2,400*** if either or both taxpayers are blind.

IV. An additional [~~$1,200~~] ***$2,400*** if either or both taxpayers are disabled, unable to work, and have not yet reached their sixty-fifth birthday.

6 Reference to Interest and Dividends Tax Deleted. Amend RSA 14-B:8, III(q) to read as

follows:

(q) New Hampshire taxes, specifying if business profits tax[~~,~~] ***or*** business enterprise tax[~~, or interest and dividends tax~~].

7 Reference to Interest and Dividends Tax Deleted. Amend RSA 15-A:5, I(d)(17) to read as follows:

(17) New Hampshire taxes, specifying if business profits tax[~~,~~] ***or*** business enterprise tax[~~, or interest and dividends tax~~].

8 Reference to Interest and Dividends Tax Deleted. Amend RSA 21-J:31 to read as follows:

21-J:31 Penalty for Failure to File. Any taxpayer who fails to file a return when due, unless an extension has been granted by the department, shall pay a penalty equal to 5 percent of the amount of the tax due or $10, whichever is greater, for each month or part of a month during which the return remains unfiled. The total amount of any penalty shall not, however, exceed 25 percent of the amount of the tax due or $50, whichever is greater. This penalty shall not be applied in any case in which a return is filed within the extended filing period as provided in [~~RSA 77:18-b,~~] RSA 77-A:9, RSA 77-E:8, RSA 83-C:6, RSA 83-E:5, RSA 84-A:7, or RSA 84-C:7, or the failure to file was due to reasonable cause and not willful neglect of the taxpayer. The amount of the penalty is determined by applying the percentages specified to the net amount of any tax due after crediting any timely payments made through estimating or other means.

9 Reference to Interest and Dividends Tax Deleted. Amend the introductory paragraph of RSA 21-J:33-a, I to read as follows:

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

10 Reference to Interest and Dividends Tax Deleted. Amend RSA 21-J:46, III to read as follows:

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

11 References to Interest and Dividends Tax Deleted. Amend RSA 71-C:4, I and II to read as follows:

I. On or before December 15 of every fiscal year the commissioner of the department of revenue administration shall certify in a report to the general court and the governor an analysis of each of the past fiscal year's tax expenditures as identified in RSA 71-C:2, and other credits allowed under [~~RSA 77,~~] RSA 77-A, RSA 77-E, RSA 77-G, RSA 78, RSA 78-A, 78-B, RSA 82-A, RSA 83-E, RSA 84-A, RSA 84-C, and RSA 400-A.

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

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

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

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

(2) Credit carryovers from overpaid taxes.

12 Returns for Interest and Dividends Taxes. All persons who are liable for a tax under RSA 77 as of December 31, 2021, who thereafter are no longer liable for a tax under RSA 77 because of the passage of this act shall make a return of such taxes due the commissioner of revenue administration in such manner and on such forms as the commissioner shall prescribe in rules adopted under RSA 541-A. The administrative provisions of RSA 77 shall remain in effect to permit the collection of taxes upon income taxable under RSA 77 which is received by persons subject to taxation under that chapter through December 31, 2021, and to permit the distribution of that revenue. Persons who are liable for a tax under RSA 77 who do not report the payment of federal income taxes on a calendar year basis are entitled to such proportion of the exemptions allowed in RSA 77 as the reporting period bears to their taxable year.

13 Repeals. The following are repealed:

I. RSA 21-J:45, I(e), relative to reports on status of requested interest and dividends tax refunds.

II. RSA 77-A:4-c, II(c), relative to the duty of a committee to study the taxation of distributions received by investment organizations under the interest and dividends tax.

III. RSA 77, relative to taxation of incomes.

IV. RSA 77-A:4, I, relative to an adjustment to the business profits tax for taxes under RSA 77.

V. RSA 195-H:10, relative to exemption from RSA 77 for income and distributions from qualified tuition programs.

VI. RSA 261:52-a relative to notice that the interest and dividends tax may be due.

VII. RSA 391:3 relative to the taxation of common trust funds under RSA 77.

14 Effective Date.

I. Sections 1 and 5-6 of this act shall take effect January 1, 2018.

II. Section 2 of this act shall take effect January 1, 2019.

III. Section 3 of this act shall take effect January 1, 2020.

IV. Section 4 of this act shall take effect January 1, 2021.

V. The remainder of this act shall take effect January 1, 2022.

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HB 529-FN-A-LOCAL- FISCAL NOTE
AS INTRODUCED

AN ACT phasing out and repealing the interest and dividends tax.

FISCAL IMPACT: [X] State [ ] County [ ] Local [ ] None

	Estimated Increase / (Decrease)			
STATE:	**FY 2018**	**FY 2019**	**FY 2020**	**FY 2021**
Appropriation	$0	$0	$0	$0
Revenue	Indeterminable Decrease	Indeterminable Decrease	Indeterminable Decrease	Indeterminable Decrease
Expenditures	$0	$0	$0	$0
Funding Source:	[X] General	[ ] Education	[ ] Highway	[ ] Other

METHODOLOGY:

This bill phases out the Interest and Dividends (I&D) Tax over a period of five years. In FY 2018 the bill reduces the I&D rate to four percent and changes some of the exemptions, further reducing the rate to three percent in FY 2019 and two percent in FY 2020, with a full repeal of the tax in FY 2022. In FY 2021, the gross I&D income thresholds are increase from $2,400 to $4,800. All changes are effective as of January 1 of the particular year. The Department of Revenue Administration has no means to determine the exact fiscal impact of repealing the I&D tax because it is not able to predict future tax liabilities and credit carryforward amounts. However using tax year 2015 information, the Department can provide an estimated impact on future tax years. This estimated impact does not take into consideration the Department's ongoing audit and collection activities or any overpayments that might result in a refund. The tax year 2015 liability was $82,551,040. Applying each tax rate reduction and other changes to the I&D tax law as proposed in this bill to the tax year 2015 liability, the potential decrease in state general fund revenue may be as follows:

Fiscal Year	Tax Year	Total Revenue Loss
FY 2018	TY 2018 (1Q and 2Q)	($6,648,558)
FY 2019	TY 2018 (3Q and 4Q) and TY 2019 (1Q and 2Q)	($27,430,720)
FY 2020	TY 2019 (3Q and 4Q) and TY 2020 (1Q and 2Q)	($42,291,394)
FY 2021	TY 2020 (3Q and 4Q) and TY 2021 (1Q and 2Q)	($52,887,055)
FY 2022	TY 2021 (3Q and 4Q) and TY 2022 (1Q and 2Q)	($82,551,040)

AGENCIES CONTACTED:

Department of Revenue Administration