2024 SESSION

24-2014
02/10

HOUSE BILL ***1422-FN-A-LOCAL***

AN ACT relative to the rates of the business profits tax, business enterprise tax, communications service tax, and meals and rooms tax.

SPONSORS: Rep. Sweeney, Rock. 25; Rep. Osborne, Rock. 2; Rep. Doucette, Rock. 25; Rep. Kofalt, Hills. 32; Rep. Rochefort, Graf. 1; Rep. McGough, Hills. 12; Rep. Alexander Jr., Hills. 29; Rep. S. Smith, Sull. 3

COMMITTEE: Ways and Means

ANALYSIS

This bill reduces the rates of the business profits tax, business enterprise tax, and meals and rooms tax. It also reduces and subsequently repeals the communications services tax.

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Matter which is either (a) all new or (b) repealed and reenacted appears in regular type.

24-2014
02/10

STATE OF NEW HAMPSHIRE

In the Year of Our Lord Two Thousand Twenty Four

AN ACT relative to the rates of the business profits tax, business enterprise tax, communications service tax, and meals and rooms tax.

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

1 Short Title. This act shall be know as the Consumer Tax Relief Act.

2 New Paragraphs; Business Profits Tax; Imposition of Tax. Amend RSA 77-A:2 by inserting after paragraph III the following new paragraphs:

IV. For all taxable periods ending on or after December 31, 2025, a tax is imposed at the rate of 7.4 percent upon the taxable business profits of every business organization.

V. For all taxable periods ending on or after December 31, 2026, a tax is imposed at the rate of 7.3 percent upon the taxable business profits of every business organization.

VI. For all taxable periods ending on or after December 31, 2027, a tax is imposed at the rate of 7.2 percent upon the taxable business profits of every business organization.

VII. For all taxable periods ending on or after December 31, 2028, a tax is imposed at the rate of 7.1 percent upon the taxable business profits of every business organization.

VIII. For all taxable periods ending on or after December 31, 2029, a tax is imposed at the rate of 7.0 percent upon the taxable business profits of every business organization.

3 New Paragraphs; Business Enterprise Tax; Imposition of Tax. Amend RSA 77-E:2 by inserting after paragraph II the following new paragraphs:

III. For all taxable periods ending on or after December 31, 2025, a tax is imposed at the rate of 0.45 percent upon the taxable enterprise value tax base of every business enterprise.

IV. For all taxable periods ending on or after December 31, 2026, a tax is imposed at the rate of 0.35 percent upon the taxable enterprise value tax base of every business enterprise.

V. For all taxable periods ending on or after December 31, 2027, a tax is imposed at the rate of 0.25 percent upon the taxable enterprise value tax base of every business enterprise.

4 Communications Services Tax; Intrastate Rate. Amend RSA 82-A:3 to read as follows:

82-A:3 Imposition of Tax; Intrastate Communications Services. A tax is imposed upon intrastate communications services furnished to a person in this state and purchased at retail from a retailer by such person, at the rate of 7 percent ***for each month through June of 2024, 3.5 percent for each month from July of 2024 through June of 2025, and 1.75 percent for each month thereafter*** of the gross charge therefor. However, such tax is not imposed on any communications services to the extent a tax on such services may not, under the Constitution and statutes of the United States, be made the subject of taxation by the state.

5 Imposition of Tax; Interstate Services Rate. Amend RSA 82-A:4 to read as follows:

82-A:4 Imposition of Tax; Interstate Communications Services. Except as provided in RSA 82-A:4-b, RSA 82-A:4-d, and RSA 82-A:4-e, a tax is imposed upon interstate communications services and private communications services furnished to a person in this state and purchased at retail from a retailer by such person, at the rate of 7 percent ***for each month through June of 2024, 3.5 percent for each month from July of 2024 through June of 2025, and 1.75 percent for each month thereafter*** of the gross charge when such service purchased on a call-by call basis originates in this state and terminates outside this state or originates outside this state and terminates in this state and the service address is in this state, or when such service purchased on a basis other than a call-by-call basis is provided to a person with a place of primary use in this state or when such private communications services are apportioned to this state in accordance with RSA 82-A:4-c. Provided however, a tax is imposed upon interstate paid calling service furnished to a person in this state and purchased at retail from a retailer by such person, at the rate of 7 percent ***for each month through June of 2024, 3.5 percent for each month from July of 2024 through June of 2025, and 1.75 percent for each month thereafter*** of the gross charge when the origination point of the communications signal (as first identified by either (a) the seller's telecommunications system, or (b) information received by the seller from its service provider, where the system used to transport such signals is not that of the seller) is in this state. To prevent actual multi-state taxation of communications services that are subject to taxation under this section, any taxpayer, upon proof that the taxpayer has paid a tax in another state on such services, shall be allowed a credit against the tax imposed in this section to the extent of the amount of such tax properly due and paid in such other state. However, such tax is not imposed on communications services to the extent such services may not, under the Constitution and statutes of the United States, be made the subject of taxation by the state.

6 Prospective Repeal; 2027. RSA 82-A, relative to the communications services tax, is repealed.

7 Reference Deleted; 2027; Understatement of Tax. Amend RSA 21-J:33-a, I to read as follows:

I. If there is a substantial understatement of tax imposed under RSA 77-A, RSA 77-E, RSA 78-A, RSA 78-C, [~~RSA 82-A,~~] RSA 83-C, 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.

8 Reference Deleted; 2027; Tax Expenditures. Amend RSA 71-C:4, I 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-A, RSA 77-E, RSA 77-G, RSA 78, RSA 78-A, 78-B, [~~RSA 82-A,~~] RSA 84-A, RSA 84-C, and RSA 400-A.

9 Reference Deleted; 2027; Property Taxation. Amend RSA 72:12 to read as follows:

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

10 References Deleted; 2027; E911 System. Amend RSA 106-H:9, III to read as follows:

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

(b) The following exceptions shall apply to this paragraph:

(1) Delivery to the surcharge collector or its representative of a copy of any return or other papers filed by the surcharge collector.

(2) Disclosure of department records, files, returns, or information in a New Hampshire state judicial or administrative proceeding pertaining to administration of the surcharge where the information is directly related to an issue in the proceeding regarding the surcharge under this section, or the surcharge collector whom the information concerns is a party to such proceeding, or the information concerns a transactional relationship between a person who is a party to the proceeding and the taxpayer.

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

(4) Disclosure of department records, files, and information to the legislative budget assistant, when requested by the legislative budget assistant pursuant to RSA 14:31, IV.

11 State of Emergency Waiver for Businesses; 2027. RSA 319-D:1, I is repealed and reenacted to read as follows:

I. "Communications services" means services for transmitting, emitting, or receiving signs, signals, writing, images, sounds or intelligence of any nature by any electromagnetic system capable of 2-way communication and includes, without limitation, messages or information transmitted through use of local, toll and wide area telephone service; private line services and networks, whether leased, rented or owned; channel services; telegraph services; teletypewriter services; cable television; computer exchange services; mobile telecommunications services; prepaid wireless telecommunications services; VoIP; facsimile services; specialized mobile radio; stationary 2-way

radio; paging services; or any other form, whether stationary, portable or mobile, of 2-way communications; or any other transmission of messages or information by electronic or similar means, between or among points by wire, cable, fiber-optics, laser, microwave, radio, satellite or similar facilities. "Communications services" shall not include:

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

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

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

(d) Internet access.

12 Tax on Meals and Rooms; Imposition of Tax. Amend RSA 78-A:6, I through II-a to read as follows:

I. A tax of 8.5 percent ***for state fiscal year 2024, 7.5 percent for state fiscal year 2025, 6.5 percent for state fiscal year 2026, and 6 percent for state fiscal years thereafter*** of the rent is imposed upon each occupancy.

II. A tax is imposed on taxable meals [~~based upon the charge therefor as follows:~~

~~(a) Four cents for a charge between $.36 and $.37 inclusive;~~

~~(b) Five cents for a charge between $.38 and $.50 inclusive;~~

~~(c) Six cents for a charge between $.51 and $.62 inclusive;~~

~~(d) Seven cents for a charge between $.63 and $.75 inclusive;~~

~~(e) Eight cents for a charge between $.76 and $.87 inclusive;~~

~~(f) Nine cents for a charge between $.88 and $1.00 inclusive;~~

~~(g) Eight and a half~~] ***of 8.5*** percent of the charge for taxable meals over $1.00 ***for state fiscal year 2024, 7.5 percent for state fiscal year 2025, 6.5 percent for state fiscal year 2026, and 6 percent for state fiscal years thereafter,*** provided that fractions of cents shall be rounded up to the next whole cent.

II-a. A tax of 8.5 percent ***for state fiscal year 2024, 7.5 percent for state fiscal year 2025, 6.5 percent for state fiscal year 2026, and 6 percent for state fiscal years thereafter*** is imposed upon the gross rental receipts of each rental.

13 Tax on Meals and Rooms; Disposition of Revenue. Amend RSA 78-A:26, III to read as follows:

III. On or before December 1, [~~2021 and each December 1 thereafter~~] ***2024***, 30 percent***, on or before December 1, 2025, 34 percent, on or before December 1, 2026, 39.2 percent, and on or before December 1, 2027, and each December 1 thereafter, 42.5 percent*** of the net income determined under the introductory paragraph of paragraph I of the most recent fiscal year, after deductions for the cost of administration and revenues deposited in the education trust fund pursuant to paragraph II, shall be deposited into the meals and rooms municipal revenue fund for distribution to the unincorporated towns, unorganized places, towns, and cities. The amount to be distributed to each such town, place, or city shall be determined by multiplying the total amount to be distributed by a fraction, the numerator of which shall be the population of the unincorporated town, unorganized place, town, or city and the denominator of which shall be the population of the state. The population figures shall be based on the latest resident population figures furnished by the office of planning and development.

14 Effective Date.

I. Sections 6-11 of this act shall take effect January 1, 2027.

II. The remainder of this act shall take effect July 1, 2024.

LBA
24-2014
Revised 1/12/24

HB 1422-FN-A-LOCAL- FISCAL NOTE
AS INTRODUCED

AN ACT relative to the rates of the business profits tax, business enterprise tax, communications service tax, and meals and rooms tax.

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

Estimated State Impact - Increase / (Decrease)				
	FY 2024	**FY 2025**	**FY 2026**	**FY 2027**
Revenue	$0	General and Education Trust Fund Indeterminable Decrease/ Meals and Rooms Municipal Revenue Fund Indeterminable Increase		
Revenue Fund(s)	General Fund and Education Trust Fund Meals and Rooms Municipal Revenue Fund			
Expenditures	$0	Indeterminable Increase		
Funding Source(s)	General Fund Meals and Rooms Municipal Revenue Fund			
Appropriations	$0	$0	$0	$0
Funding Source(s)	None			

- Does this bill provide sufficient funding to cover estimated expenditures? [X] N/A
- Does this bill authorize new positions to implement this bill? [X] N/A

Estimated Political Subdivision Impact - Increase / (Decrease)				
	FY 2024	**FY 2025**	**FY 2026**	**FY 2027**
County Revenue	$0	$0	$0	$0
County Expenditures	$0	$0	$0	$0
Local Revenue	$0	Indeterminable Increase		
Local Expenditures	$0	$0	$0	$0

METHODOLOGY:

This bill makes a various changes to the tax rates for the Business Profits Tax (BPT), Business Enterprise Tax (BET), Meals and Rooms Tax (M&R), and repeals the Communication Services Tax (CST).

The Department of Revenue Administration states the changes contained in this bill will decrease General Fund and Education Trust Fund revenue by an indeterminable amount, and increase revenue to the Meals & Rooms Municipal Revenue Fund and local revenue by an

indeterminable amount. The Department is able to provide a static analysis estimate of this bill's fiscal impact.

Business Profits Tax Rate Decrease

This bill proposes to reduce current BPT rate of 7.5% by 0.1% per tax year beginning with taxable periods ending on or after December 31, 2025 and ending with taxable periods ending on or after December 31, 2029. Based on the following assumptions/information, the Department provides the potential fiscal impact of this change:

- Use tax year (TY) 2021 BPT taxable business profits of $10.31 billion as the starting point. The applicable BPT rate for taxable periods ending on or after December 31, 2021, was 7.7%.
- Split of prior tax year revenue to fiscal year revenue and applied it to FY 2025 as follows: 15% attributable to TY 2023, 63% attributable to TY 2024, and 22% attributable to TY 2025. See table 1 below.
- The BPT rate for taxable periods ending on or after December 31, 2022, is 7.6% and for taxable period ending on or after December 31, 2023, is 7.5%. These rates were applied to calculate the estimated revenue under current law. See table 2 below.
- The calculation was not adjusted for the apportionment methodology change to single sales factor after TY 2021 for taxable periods ending on or after December 31, 2022, the net operating loss deduction change to single apportionment (apportioned only in the year the loss was generated), and the gross business income threshold changes.

Table 1. Tax Year Splits Impact on Fiscal Year

Fiscal Year	Tax Year	% Applicable to Tax Year	Current Law BPT Rates	Proposed Law BPT Rates
FY 2025	TY 2023	15%	7.5%	7.5%
	TY 2024	63%	7.5%	7.5%
	TY 2025	22%	7.5%	7.4%
FY 2026	TY 2024	15%	7.5%	7.5%
	TY 2025	63%	7.5%	7.4%
	TY 2026	22%	7.5%	7.3%
FY 2027	TY 2025	15%	7.5%	7.4%
	TY 2026	63%	7.5%	7.3%
	TY 2027	22%	7.5%	7.2%
FY 2028	TY 2026	15%	7.5%	7.3%
	TY 2027	63%	7.5%	7.2%
	TY 2028	22%	7.5%	7.1%
FY 2029	TY 2027	15%	7.5%	7.2%
	TY 2028	63%	7.5%	7.1%
	TY 2029	22%	7.5%	7.0%

FY 2030	TY 2028	15%	7.5%	7.1%
	TY 2029	63%	7.5%	7.0%
	TY 2030	22%	7.5%	7.0%
FY 2031 and forward	TY 2029 and forward	100%	7.5%	7.0%

Table 2: Static Analysis of BPT Rate Change Impact on Revenue

Fiscal Year	Current Law Revenue (Based on TY 2021)	Estimated Revenue w/ Proposed Rate Change	Estimated Fiscal Impact Per Year	Cumulative Fiscal Impact
2025	$775,100,000	$771,200,000	($3,900,000)	($3,900,000)
2026	$775,100,000	$762,400,000	($12,700,000)	($16,600,000)
2027	$775,100,000	$752,300,000	($22,800,000)	($39,400,000)
2028	$775,100,000	$741,900,000	($33,200,000)	($72,600,000)
2029	$775,100,000	$731,600,000	($43,500,000)	($116,100,000)
2030	$775,100,000	$723,500,000	($51,600,000)	($167,700,000)
2031	$775,100,000	$722,000,000	($53,100,000)	($220,800,000)

Business Enterprise Tax Rate Decrease

The bill proposes to reduce the current BET rate of 0.55% by 0.1% per tax year beginning with taxable periods ending on or after December 31, 2025 and ending with taxable periods ending on or after December 31, 2027. Based on the following assumptions/information, the Department provides the potential fiscal impact of this change:

- Used TY 2021 BET tax base of $41.0 billion as the starting point. The applicable BET rate for taxable periods ending on or after December 31, 2021, was 0.6%.
- Split of prior tax year revenue to fiscal year revenue and applied it to FY 2025 as follows: 15% attributable to TY 2023, 63% attributable to TY 2024, and 22% attributable to TY 2025. See table 3 below.
- Under current law. The BET rate for taxable periods ending on or after December 31, 2022, is 0.55%. These rates were applied to calculate the estimated revenue under current law. See table 4 below.
- This calculation was not adjusted for the gross receipts or the enterprise value tax base threshold changes.

Table 3. Tax Year Splits Impact on Fiscal Year

Fiscal Year	Tax Year	% Applicable to Tax Year	Current Law BET Rates	Proposed Law BET Rates
FY 2025	TY 2023	15%	0.55%	0.55%

	TY 2024	63%	0.55%	0.55%
	TY 2025	22%	0.55%	0.45%
FY 2026	TY 2024	15%	0.55%	0.55%
	TY 2025	63%	0.55%	0.45%
	TY 2026	22%	0.55%	0.35%
FY 2027	TY 2025	15%	0.55%	0.45%
	TY 2026	63%	0.55%	0.35%
	TY 2027	22%	0.55%	0.25%
FY 2028	TY 2026	15%	0.55%	0.35%
	TY 2027	63%	0.55%	0.25%
	TY 2028	22%	0.55%	0.25%
FY 2029 and forward	TY 2027 and forward	100%	0.55%	0.25%

Table 4: Static Analysis of BET Rate Change Impact on Revenue

Fiscal Year	Current Law Revenue (Based on TY 2021)	Estimated Revenue w/ Proposed Rate Change	Estimated Fiscal Impact Per Year	Cumulative Fiscal Impact
2025	$225,400,000	$216,400,000	($9,000,000)	($9,000,000)
2026	$225,400,000	$181,600,000	($43,800,000)	($52,800,000)
2027	$225,400,000	$140,600,000	($84,800,000)	($137,600,000)
2028	$225,400,000	$108,600,000	($116,800,000)	($254,400,000)
2029	$225,400,000	$102,500,000	($122,900,000)	($377,300,000)

Communications Services Tax Phaseout and Repeal

This bill proposes to reduces the CST from the current rate of 7% to 3.5% for each month from July 2024 through June 2025, and to 1.75% for each month thereafter. The Department assumes the start of the rate change is applicable to CST activity from taxable periods beginning on or after July 1, 2024. The CST is repealed effective January 1, 2027. Based on the following assumptions/information, the Department provides the potential fiscal impact of this change:

- Use the $29.2 million of tax collected in FY 2023 to determine FY 2023 CST tax base by dividing the tax collected by the tax rate of 7.0% or $416.9 million.
- The FY 2023 CST tax base is then multiplied by the new proposed tax rates: 2025 3.5% for July 2024 through June 2025, 1.75% for July 2025 through December 2026, and 0% (CST repeal) for January 1, 2027 onwards.

- This proposed legislation is effective July 1, 2024 (FY 2025) for the CST phaseout and January 1, 2027 (FY 2028), for the CST repeal. CST is a monthly tax with estimates due by the 15th of the taxable period the liability is incurred, and the return is due by the 15th of the month following the taxable period.

Table 5 below provides the total CST estimated revenue impact per fiscal year for the tax rate change from 7.0% to 0.0%. Table 6 provides the rates applicable for each taxable period.

Table 5: CST Rate Decrease and Repeal Static Analysis

Fiscal Year	Current Law Revenue (Using FY 2023 Tax)	Estimated Revenue w/ Proposed Bill	Estimated Fiscal Impact per Year	Cumulative Fiscal Impact
FY 2025	$29,200,000	$14,600,000	($14,600,000)	($14,600,000)
FY 2026	$29,200,000	$7,300,000	($21,900,000)	($36,500,000)
FY 2027	$29,200,000	$4,100,000	($25,100,000)	($61,600,000)
FY 2028 and forward	$29,200,000	$0	($29,200,000)	($90,800,000)

Table 6: CST Taxable Periods and Rates

Taxable Periods	Current CST Rate	Proposed CST Rate
07/01/2024-06/30/2025	7.00%	3.50%
07/01/2025-12/31/2026	7.00%	1.75%
01/01/2027 and forward	7.00%	0.00%

Meals and Rentals Tax Rate Decrease

This bill proposes to reduce the M&R Tax from the current rate of 8.5% for FY 2024 to 7.5% for FY 2025, to 6.5% for FY 2026, and to 6.0% for FY 2027 and fiscal years thereafter. The proposed legislation also repeals the tax for meals costing $1.00 or less. The Department assumes that the start of the rate change is applicable to M&R activity from taxable periods beginning on or after July 1, 2024. Based on the following assumptions/information, the Department provides the potential fiscal impact of this change:

- The intention of this bill is to not subject meals of $1.00 and less to the M&R Tax.
- Total FY 2023 M&R tax collected (gross cash basis) was $456.3 million. Operators retained commissions of $11.9 million (2.62% of the total collected based on data reported by Operators in FY 2023). Thus, the total tax collected by operators net of commission for FY 2023 was $444.4 million.
- The FY 2023 M&R tax base was calculated as $5,368.5 million (total tax collected ($456.3 million) divided by the tax rate of 8.5%).
- The FY 2023 M&R tax base is then multiplied by the new proposed tax rates: 7.5% for FY 2025, 6.5% for FY 2026 and 6.0% for fiscal years thereafter, yielding a new estimated amount of tax collected by operators for each of those fiscal years. Using the same rate of commissions from FY 2023, the commission retained under the new rate is calculated and subtracted from the new liability amount.

- This proposed legislation is effective July 1, 2024 (FY 2025). M&R revenue is due by the 15th day of the month following the taxable period. The impact of this proposed M&R tax rate change would only begin in August 2024 onwards.

Table 7: M&R Tax Rate Decrease Static Analysis

Fiscal Year	Current Law Revenue (Using FY 2023 Tax, net of commission)	Estimated Revenue w/ Proposed Bill	Estimated Fiscal Impact per Year	Cumulative Fiscal Impact
FY 2025	$444,400,000	$396,700,000	($47,700,000)	($47,700,000)
FY 2026	$444,400,000	$344,500,000	($99,900,000)	($147,600,000)
FY 2027	$444,400,000	$316,000,000	($128,400,000)	($276,000,000)
FY 2028 and forward	$444,400,000	$313,700,000	($130,700,000)	($406,700,000)

Table 6: M&R Applicable Rates

Fiscal Year	Current M&R Rate	Proposed M&R Rate
FY 2025 (collections beginning 8/1/2024)	8.5%	7.5%
FY 2026 (collections beginning 8/1/2025)	8.5%	6.5%
FY 2027 (collections beginning 8/1/2026)	8.5%	6.0%
FY 2028 and forward	8.5%	6.0%

M&R Tax Distribution to M&R Municipal Revenue Fund

This bill also increases the rate of distribution into the Meals and Rooms Municipal Revenue Fund from 30% to 42.5% over three fiscal years. The distribution rate changes from the current 30% deposited on or before December 1, 2024, to 34% on or before December 1, 2025, to 39.2% on or before December 1, 2026, and to 42.5% on or before December 1, 2027, and each December 1 thereafter. This proposed change would first affect the distribution beginning in FY 2026 for the required distribution on or before December 1, 2025, based on FY 2025 revenues. The Department assumes that increasing the M&R tax deposit into the M&R Municipal Revenue Fund will result in an indeterminable increase in municipal revenue. However, with the M&R rate also concurrently being reduced, it is assumed the M&R tax rate decrease will reduce the deposits to the Municipal Revenue Fund.

To calculate the impact of the M&R Municipal Revenue Fund transfer, an analysis based on FY 2023's M&R revenue results (used to calculate the FY2024 transfer) was used to calculate the impact of changing the M&R Municipal Revenue Fund distribution percentage from 30% to 34% in FY 2026, 39.2% in FY 2027 and 42.5% in FY 2028 and each fiscal year thereafter. The M&R

estimated revenue based on the proposed M&R tax rate decreases is used to calculate the estimated impact on the M&R Municipal Revenue Fund transfer.

Table 7 shows the amount that would be transferred to the M&R Municipal Revenue Fund as the M&R rates decrease and if the transfer amount was calculated on the current 30% or the proposed amounts contained in this bill.

Table 7: Transfer of M&R Revenue to M&R Municipal Revenue Fund Based on M&R Rate Decrease and Adjusting % to M&R Municipal Revenue Fund

	FY 2025	FY 2026	FY 2027	FY 2028
Current Law Percentage	30%	30%	30%	30%
Amount to Transfer	$129,400,000	$115,400,000	$100,100,000	$91,800,000
Proposed Law Percentage	30%	34%	39.2%	42.5%
Amount to Transfer	$129,400,000	$130,800,000	$130,800,000	$130,000,000
Increase to Municipal Revenue Fund	**$0**	**$15,400,000**	**$30,700,000**	**$38,200,000**
Decrease to General Fund	**$0**	**($15,400,000)**	**($30,700,000)**	**($38,200,000)**

Table 8 provides a summary of the total impact on revenue based on all the changes contained in this bill.

Table 8 Total Impact of Changes on Revenue (In Millions)

Fiscal Year	BPT Rate Changes	BET Rate Changes	CST Repeal	M&R Rate Changes	M&R to Municipal Fund	**Total Estimated Impact**	**Cumulative Estimated Impact Per Year**
FY 2025	($3.9)	($9.0)	($14.6)	($47.7)	$0	**($75.2)**	**($75.2)**
FY 2026	($12.7)	($43.8)	($21.9)	($99.9)	($15.4)	**($193.7)**	**($268.9)**
FY 2027	($22.8)	($84.8)	($25.1)	($128.4)	($30.7)	**($291.8)**	**($560.7)**
FY 2028	($33.2)	($116.8)	($29.2)	($130.7)	($38.2)	**($348.1)**	**($908.8)**
FY 2029	($43.5)	($122.9)	($29.2)	($130.7)	($38.2)	**($364.5)**	**($1,273.3)**
FY 2030	($51.6)	($122.9)	($29.2)	($130.7)	($38.2)	**($372.6)**	**($1,645.9)**
FY 2031	($53.1)	($122.9)	($29.2)	($130.7)	($38.2)	**($374.1)**	**($2,020.0)**

The fiscal impact as depicted in the above table may be overstated or understated for future years depending on whether actual revenue is more or less than the TY 2021 net taxable income used for the analysis of this bill.

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

For information purposes, the Treasury Department provided estimates of the stand-alone impact of the changes to the M&R Municipal Revenue fund distribution without incorporating the M&R rate reduction included in this bill. The Treasury Department estimates include the following assumptions:

- Uses FY23 M&R Tax Revenue as a starting point (includes General and Education Trust Fund Revenues adding back the transfers for School Building Aid Debt Service).
- Cost of M&R administration remains the same through FY28.
- Education Trust Fund Revenues relating to M&R decreases based upon the corresponding percentage outlined in the proposed bill.

	Current Law	**Proposed Changes**		
	FY 2024	**FY 2025**	**FY 2026**	**FY 2027**
FY 2023 M&R Revenue	$448,490,447	$448,490,447	$448,490,447	$448,490,447
Less Cost of M&R Administration	($2,359,891)	($2,359,891)	($2,359,891)	($2,359,891)
Less M&R revenue to Education Trust Fund	($10,428,000)	($10,428,000)	($9,201,176)	($7,974,353)
Net M&R Revenue	$435,702,556	$435,702,556	$384,165,798	$306,860,660
% Transferred to M&R Municipal Revenue Fund	30%	30%	34%	39.2%
Amount to Distribute from Fund	$130,710,767	$130,710,767	$130,616,371	$130,390,583
Diff from Current Law (FY 2024)	$0	$0	($94,396)	($320,183)

AGENCIES CONTACTED:

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