HB 1681-FN - AS INTRODUCED

2018 SESSION

18-2217
10/05

HOUSE BILL ***1681-FN***

AN ACT establishing an early childhood development tax credit against business taxes administered by the community development finance authority.

SPONSORS: Rep. Henle, Merr. 12; Rep. Wallner, Merr. 10; Rep. DesMarais, Carr. 6; Rep. Abrami, Rock. 19; Rep. Ebel, Merr. 5; Rep. Berrien, Rock. 18; Rep. Fothergill, Coos 1; Sen. Bradley, Dist 3; Sen. Feltes, Dist 15; Sen. Fuller Clark, Dist 21

COMMITTEE: Ways and Means

ANALYSIS

This bill establishes an early childhood development tax credit against business taxes for contributions to construction or renovation of child day care agencies.

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Matter which is either (a) all new or (b) repealed and reenacted appears in regular type.

18-2217
10/05

STATE OF NEW HAMPSHIRE

In the Year of Our Lord Two Thousand Eighteen

AN ACT establishing an early childhood development tax credit against business taxes administered by the community development finance authority.

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

1 New Section; Community Development Finance Authority; Early Childhood Development Tax Credit. Amend RSA 162-L by inserting after section 10 the following new section:

162-L:10-a Early Childhood Development Tax Credit.

I. An early childhood development tax credit equal to 75 percent of the contribution made to the authority during the contributor's tax year shall be allowed against any of the following individually or in combination:

(a) Taxes imposed by RSA 77-A.

(b) Taxes imposed by RSA 400-A.

(c) Taxes imposed by RSA 77-E.

II. Credits provided by this section applied against the liabilities imposed by RSA 400-A and RSA 77-E shall be deemed to be taxes paid for the purpose of RSA 77-A:5, III and X, respectively.

III. The credit or any unused portion thereof may be carried forward for no more than 5 succeeding years, but shall not exceed $1,000,000 in any given tax year.

IV.(a) The credit provided by this section shall be available to contributors on or after contributions for which credit is to be taken are actually received by the authority.

(b) Contributions received by the authority for which credit is to be taken shall not exceed $2,000,000 in any state fiscal year. Contributions under this section are in addition to and separate from contributions under RSA 162-L:10. Contributions received by the authority in excess of $2,000,000 in any state fiscal year shall not be eligible for credit in such fiscal year but may be carried forward to the next succeeding fiscal year or years and shall be given priority in determining the total contributions eligible for credit in such fiscal year.

V. Estimated tax payments under RSA 400-A:32 due and payable after the date of contribution to the authority may be reduced by the credit allowable under this section.

VI. The authority shall dedicate the contributions under this section to investing or lending to nonprofit child day care agencies licensed under RSA 170-E for the construction, renovation, or other capital infrastructure needs of such agencies in providing early childhood development which contributes to the economic well-being of the state.

2 New Paragraph; Business Profits Tax; Early Childhood; Development Tax Credit. Amend RSA 77-A by inserting after paragraph XV the following new paragraph:

XVI. The early childhood development tax credit as computed in RSA 162-L:10-a.

3 Applicability. The tax credits in section 2 of this act shall apply to tax years beginning on and after January 1, 2019.

4 Effective Date. This act shall take effect July 1, 2018.

LBAO
18-2217
Revised 12/11/17

HB 1681-FN- FISCAL NOTE
AS INTRODUCED

AN ACT establishing an early childhood development tax credit against business taxes administered by the community development finance authority.

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

	Estimated Increase / (Decrease)			
STATE:	**FY 2019**	**FY 2020**	**FY 2021**	**FY 2022**
Appropriation	$0	$0	$0	$0
Revenue	Indeterminable Decrease	Indeterminable Decrease	Indeterminable Decrease	Indeterminable Decrease
Expenditures	$0	$0	$0	$0
Funding Source:	[X] General	[X] Education	[ ] Highway	[ ] Other

METHODOLOGY:

This bill establishes an early childhood development tax credit equal to 75 percent of the contribution made to the Community Development Finance Authority. This credit may be applied individually or in combination against the Business Profits Tax, Business Enterprise Tax and/or the Insurance Premium Tax. Any credit which is applied to liabilities imposed by the Business Enterprise Tax or Insurance Premium Tax statutes shall be considered taxes paid for the purpose of the Business Profits Tax statute. The aggregate tax credits issued to all taxpayers claiming the credit shall not exceed $1,500,000 for any fiscal year, which is 75 percent of the maximum contribution of $2,000,000 that can be received by the Community Development Finance Authority in any fiscal year. Any contributions in excess of the $2,000,000 may be carried forward to future fiscal years and given priority when determining future credits. Additionally, unused portions of the credit shall be carried forward up to 5 succeeding years and shall not exceed $1,000,000 in any tax year. The Department is not able to determine the decrease in State General Fund and Education Trust Fund Revenue as the Department has no definitive method to determine how many taxpayers will make qualifying contributions to the Community Development Finance Authority. This bill may result in a FY 2019 revenue decrease related to business estimate payments by taxpayers that anticipate tax credits from their qualified contributions to the Community Development Finance Authority during the first year of this credit. The maximum revenue decrease in the first year of the tax credit is $1,500,000. In subsequent years the impact could exceed $1,500,000 due to the carry forward provisions contained in this bill.

The Department would need to update all necessary tax return forms and electronic management systems related to changes contained in this bill. However, the Department states it is able to administer the changes contained in this bill within its operating budget.

This bill directs the Community Development Finance Authority dedicate contributions to investing or lending to non-profit child day care agencies licensed under RSA 170-E for the construction, renovation, or other capital infrastructure needs of such agencies in providing early childhood development which contributes to the economic well-being of the state. The Authority states this credit will readily fit in with the Authority's existing tax credit program and outreach efforts.

AGENCIES CONTACTED:

Department of Revenue Administration and Community Development Finance Authority