

HB 1430-FN-A - AS INTRODUCED

2022 SESSION

22-2272

10/08

HOUSE BILL ***1430-FN-A***

AN ACT repealing the tax on rentals of motor vehicles under the meals and rooms tax.

SPONSORS: Rep. Hunt, Ches. 11

COMMITTEE: Ways and Means

ANALYSIS

This bill repeals the application of the meals and rooms tax to the rentals of motor vehicles, and the distribution of the revenues from the motor vehicles rental tax to the education trust fund.

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 Matter which is either (a) all new or (b) repealed and reenacted appears in regular type.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

AN ACT repealing the tax on rentals of motor vehicles under the meals and rooms tax.

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

1 1 Meals and Rooms Tax; Definition of Operator; Reference to Motor Vehicle Rentals Removed.
2 Amend RSA 78-A:1, XIII to read as follows:

3 XIII. "Operator" means any person operating a hotel[;] **or** charging for a taxable meal[; ~~or~~
4 ~~receiving gross rental receipts~~], whether as owner or proprietor or lessee, or otherwise. The term
5 operator shall include a [rental facilitator and a] room facilitator.

6 2 Meals and Rooms Tax; Collection. Amend RSA 78-A:7, I to read as follows:

7 I.(a) The operator shall either state the amount of the tax to each occupant[;] **or** purchaser
8 of a meal[; ~~or renter~~], or state that the tax is included in the price of the occupancy[;] **or** meal[; ~~or~~
9 ~~gross rental receipts received~~]. If the amount of the tax is not separately stated, the purchaser's or
10 occupant's contract or receipt shall include the following language:

11 "The [9 percent] tax on meals and rooms is included for the costs of meals and lodging only."

12 (b) The operator shall demand and collect the tax from the occupant[;] **or** purchaser[; ~~or~~
13 ~~renter~~]. The occupant[;] **or** purchaser[; ~~or renter~~] shall pay the tax to the operator. If the tax is
14 included in the price of the meal[;] **or** occupancy[; ~~or gross rental receipts received~~], upon request the
15 operator shall state to the purchaser[;] **or** occupant, [or renter] the amount of the tax.

16 3 Repeals; Tax on Rentals of Motor Vehicles. The following are repealed:

17 I. RSA 78-A:3, VI, relative to the definition of gross rental receipts.

18 II. RSA 78-A:3, XIV, relative to the definition of owner of a motor vehicle.

19 III. RSA 78-A:3, XVIII, relative to the definition of rental agreement".

20 IV. RSA 78-A:3, XIX, relative to the definition of renter.

21 V. RSA 78-A:3, XVIII-a, relative to the definition of rental facilitator.

22 VI. RSA 78-A:6, II-a, relative to the tax imposed upon gross rental receipts of each rental.

23 VII. RSA 78-A:7, I(c), relative to the collection of tax by a rental facilitator.

24 VIII. RSA 78-A:11, I-a, relative to the assessment of additional tax on a rental facilitator.

25 IX. RSA 78-A:26, II, relative to the distribution of motor vehicle rental revenues to the
26 education trust fund.

27 X. RSA 198:39, I(c), relative to the deposit of revenues in education trust fund.

28 4 Effective Date. This act shall take effect July 1, 2022.

**HB 1430-FN-A- FISCAL NOTE
AS INTRODUCED**

AN ACT repealing the tax on rentals of motor vehicles under the meals and rooms tax.

FISCAL IMPACT: ☒ **State** ☐ **County** ☐ **Local** ☐ **None**

STATE:	Estimated Increase / (Decrease)			
	FY 2022	FY 2023	FY 2024	FY 2025
Appropriation	\$0	\$0	\$0	\$0
Revenue	\$0	Indeterminable Decrease	Indeterminable Decrease	Indeterminable Decrease
Expenditures	\$0	\$0	\$0	\$0
Funding Source:	☐ General	☒ Education	☐ Highway	☐ Other

METHODOLOGY:

This bill repeals the Meals and Rentals (M&R) tax on the rental of motor vehicles. The exact fiscal impact of this bill cannot be determined, however the Department is able to provide an estimate of the M&R tax rate reduction from eliminating the tax on the rental of motor vehicles using the FY 2021 cash basis collection of M&R and adjusting the tax rate from 9% to 8.5%. Based on the following assumptions and information, the Department is able to provide an estimated fiscal impact of this bill.

- FY 2021 M&R tax base of \$80,209,880 derived by dividing the total tax collected by 9%. Total tax revenue collected of \$7,218,889, which includes \$7,000,000 of M&R vehicle rental revenue on cash basis plus \$218,889 of retained commissions (approximately 3.0% (rounded) of total collected);
- Estimated FY 2021 revenue of \$6,611,111 assuming a 8.5% tax rate (\$80,209,880 * 8.5% - (\$206,729 or 3.0% (rounded) commission retained);
- Since the effective date of this bill is July 1, 2022 and M&R revenue is due by the 15th day of the month following the taxable period, the impact on revenue would not occur until August 2022. On average, 90.9% (rounded) of M&R revenue is collected between August and June of each fiscal year.

Assuming the estimated M&R revenue for FY 2021 at the 8.5% tax rate remains unchanged for the period of FY 2023 through FY 2025 and that 90.9% (rounded) of revenue collected in FY 2023 would be impacted by the rate decrease, the following table provides an estimated impact.

Motor Vehicle Rentals Tax Static Analysis using FY 2021 Revenues & 8.5% Tax Rate			
Fiscal Year	Estimated Education Trust Fund Revenue with FY 2021 tax base and 8.5% rate from HB 2 (Chapter 91, Section 103-105)	Estimated Education Trust Fund FY Revenue with repeal	Fiscal Impact (Proposed Legislation Compared to Current Law)
2023	\$6,611,111	\$602,286	(\$6,008,825)
2024	\$6,611,111	\$0	(\$6,611,111)
2025	\$6,611,111	\$0	(\$6,611,111)

The Department would need to update all necessary tax return forms and electronic management systems but does not anticipate the bill will result in any additional administrative costs that could not be absorbed in the Department's operating budget.

It should be noted that pursuant to RSA 198:42, II, general funds will be transferred to the education trust fund to eliminate any deficit that may occur after distribution of adequate education grants.

AGENCIES CONTACTED:

Department of Revenue Administration