HB 1221-FN - AS AMENDED BY THE SENATE

17Mar2022... 0471h
04/21/2022 1528s
05/05/2022 1840s

2022 SESSION

22-2291
10/05

HOUSE BILL ***1221-FN***

AN ACT relative to the rate of the business profits tax, and relative to payment by the state to political subdivisions of an amount equal to a portion of retirement system contributions of political subdivision employers.

SPONSORS: Rep. Notter, Hills. 21; Rep. Turcotte, Straf. 4; Rep. Osborne, Rock. 4; Rep. Abramson, Rock. 37; Rep. Mooney, Hills. 21; Rep. Hobson, Rock. 35; Rep. Potucek, Rock. 6; Rep. Healey, Hills. 21

COMMITTEE: Ways and Means

AMENDED ANALYSIS

This bill reduces the rate of the business profits tax for tax years ending on or after December 31, 2023. This bill also provides for a one-time payment by the state of an amount equal to 7.5 percent of required political subdivision employer contributions made to the state retirement system for group I teachers and group II members.

- -

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Matter which is either (a) all new or (b) repealed and reenacted appears in regular type.

HB 1221-FN - AS AMENDED BY THE SENATE

17Mar2022... 0471h
04/21/2022 1528s
05/05/2022 1840s

22-2291
10/05

STATE OF NEW HAMPSHIRE

In the Year of Our Lord Two Thousand Twenty Two

AN ACT relative to the rate of the business profits tax, and relative to payment by the state to political subdivisions of an amount equal to a portion of retirement system contributions of political subdivision employers.

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

1 New Paragraph; Business Profits Tax; Imposition of Rate; Rate Reduced 2023. Amend RSA 77-A:2 by inserting after paragraph II the following new paragraph:

III. For all taxable periods ending on or after December 31, 2023, a tax is imposed at the rate of 7.5 percent upon the taxable business profits of every business organization.

2 Short Title. Section 4 of this act may be known as the "Property Tax Relief Act of 2022."

3 Legislative Findings.

I. New Hampshire's working families and small businesses are struggling with a 40-year high inflation rate that has had a devastating impact on the price of gasoline, home heating, and food resulting from policies adopted in Washington, D.C. since January 2021.

II. Prior to January of 2021, the price of gasoline was approximately half of what it is today and now has steadily risen over the past 15 months.

III. Because of sound budget policies that controlled spending and made New Hampshire's business tax climate more competitive, state revenues are currently $252 million above budget projections, enabling the legislature to share the state's projected budget surplus with cities and towns in order to lower local property taxes.

4 Local Property Tax Reduction. A one-time appropriation of state surplus funds is hereby granted to each political subdivision of the state in accordance with section 5 of this act. It is the intent of the legislature that this will result in a one-time reduction in local property taxes without increasing state or local baseline spending.

5 Retirement System Costs; State Funding; Appropriation. For the state fiscal year ending June 30, 2023, the state shall pay to each political subdivision an amount equal to 7.5 percent of both the normal and accrued liability contributions of each political subdivision for benefits under the retirement system on account of its group II members and group I teacher members. The board of trustees of the retirement system shall certify the amount required for each such state payment based on actual payroll data from the fiscal year ending June 30, 2022, and the total amount of the state grants, to the treasurer. The governor is authorized to draw a warrant for the total sum of these one-time grants out of any money in the treasury not otherwise appropriated.

6 Repeal. RSA 100-A:16, II(c-1) relative to employer contributions for fiscal year 2012, is repealed.

7 Effective Date.

I. Section 1 of this act shall take effect upon its passage.

II. The remainder of this act shall take effect July 1, 2022.

LBA
22-2291
Amended 5/17/22

HB 1221-FN- FISCAL NOTE

AS AMENDED BY THE SENATE (AMENDMENT #2022-1840s)

AN ACT relative to the rate of the business profits tax, and relative to payment by the state to political subdivisions of an amount equal to a portion of retirement system contributions of political subdivision employers.

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

	Estimated Increase / (Decrease)			
STATE:	**FY 2022**	**FY 2023**	**FY 2024**	**FY 2025**
Appropriation	$0	$26,500,000	$0	$0
Revenue	$0	Indeterminable Decrease	Indeterminable Decrease	Indeterminable Decrease
Expenditures	$0	$26,500,000	$0	$0
Funding Source:	[X] General	[X] Education	[ ] Highway	[ ] Other

POLITICAL SUBDIVISIONS:				
Revenue	$0	$26,500,000	$0	$0
Expenditures	$0	($26,500,000)	$0	$0

*The New Hampshire Retirement System states it is not able to separate the fiscal impact of this legislation between county and local government, therefore the fiscal impact is shown together as political subdivisions.

METHODOLOGY:

This bill reduces the Business Profits Tax (BPT) rate from 7.6% to 7.5% for taxable periods ending on or after December 31, 2023. The bill also provides a one-time payment to each political subdivision in an amount equal to 7.5 percent of both the normal and accrued liability contributions of each political subdivision for benefits under the retirement system on account of its group II members and group I teacher members.

The Department of Revenue Administration states the fiscal impact is indeterminable as the Department is not able to predict future BPT tax revenue. Based on the following assumptions/information, the Department is able to estimate a possible fiscal impact:

- the starting point for calculating the fiscal impact on FY 2023 thru FY 2025 revenues is the FY 2021 cash basis BPT revenue less anomalous receivable revenue (revenue received in FY 2021 that is credited back to FY 2020) of $652,438,837);
- based on a tax year revenue analysis of FY 2021 revenue it was determined 15 percent is attributable to tax year 2019, 63 percent is attributable to tax year 2020, and 22 percent is attributable to tax year 2021; and

- the current law tax rates for Tax Years 2019 – 2021 included in FY 2021 revenue are 7.7% for BPT. Pursuant to Chapter 91:109-111, laws of 2021 the BPT rate is reduced from 7.7% to 7.6% for taxable periods ending on or after December 31, 2022;
- applying the tax year revenue analysis splits for FY 2021 BPT revenue as well as applying the applicable rates creates a base of $8,473,231,647 to use for the starting point of the calculating the fiscal impact.

The first table below provides the tax rates and split as proposed in this bill. The last table provides an estimated impact the rate changes will have on revenue.

Proposed Legislation Rates and Split

(The proposed legislation would affect Tax Year 2023 and forward as indicated in shaded cells below)

Fiscal Year	Tax Year	Percent Applicable to Tax Year	BPT Rates
Fiscal Year 2021	Tax Year 2019	15%	7.7%
	Tax Year 2020	63%	7.7%
	Tax Year 2021	22%	7.7%
Fiscal Year 2022	Tax Year 2020	15%	7.7%
	Tax Year 2021	63%	7.7%
	Tax Year 2022	22%	7.6%
Fiscal Year 2023	Tax Year 2021	15%	7.7%
	Tax Year 2022	63%	7.6%
	Tax Year 2023	22%	7.5%
Fiscal Year 2024	Tax Year 2022	15%	7.6%
	Tax Year 2023	63%	7.5%
	Tax Year 2024	22%	7.5%
Fiscal Year 2025 and forward	Tax Year 2023 and forward	100%	7.5%

Fiscal Impact of Rate Changes by Fiscal Year

Business Profits Tax - Statice Analysis Using 2021 Revenues			
Fiscal Year	FY 2021 Revenues with Current Law's Decreased TY22 Rates	FY 2021 Revenues with Proposed Legislation's Decreased TY 23 Rates	Cumulative Fiscal Impact (Proposed Legislation Compared to Current Law)
2023	$645,236,590	$643,372,479	($1,864,111)
2024	$643,965,605	$636,763,358	($7,202,247)

2025	$643,965,605	$635,492,374	($8,473,231)

The fiscal impact of the proposed rate reductions 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 FY 2021 cash basis revenue less the anomalous receivable revenue (revenue received in FY 2021 that is credited back to FY 2020).

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

The New Hampshire Retirement System (NHRS) states the proposed change is based on the pension contribution rate, but not the medical subsidy contribution rate. The NHRS indicates political subdivisions would pay 100 percent of the FY 2022 employer contributions for all of their employees participating in NHRS and would receive a payment from the State equivalent to 7.5 percent of those employer contributions for their teacher, police and fire members after the final FY 2022 employer contributions are known. This payment is anticipated to be made early in FY 2023. Based on the information provided by the NHRS actuary, it is estimated the 7.5 percent will be approximately $26.5 million. The bill contains appropriation language to allow for a warrant to be drawn for the total sum of the one-time payments.

AGENCIES CONTACTED:

Department of Revenue Administration and New Hampshire Retirement System