

HB 100-FN-A - AS INTRODUCED

2023 SESSION

23-0151

02/04

HOUSE BILL ***100-FN-A***

AN ACT to repeal the interest and dividends tax.

SPONSORS: Rep. Janigian, Rock. 25; Rep. Osborne, Rock. 2; Rep. Weyler, Rock. 14; Rep. L. Sanborn, Hills. 2; Rep. Doucette, Rock. 25; Rep. Harley, Rock. 30; Sen. Abbas, Dist 22

COMMITTEE: Ways and Means

ANALYSIS

This bill changes the effective date of the repeal of the interest and dividends tax.

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Matter which is either (a) all new or (b) repealed and reenacted appears in regular type.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

AN ACT to repeal the interest and dividends tax.

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

1 1 Returns for Interest and Dividends Taxes; 2027. Amend 2021, 91:100 to read as follows:

2 91:100 Returns for Interest and Dividends Taxes; ~~[2027]~~ **2024**. All persons who are liable for a
3 tax under RSA 77 as of December 31, ~~[2026]~~ **2023**, who thereafter are no longer liable for a tax under
4 RSA 77 because of the passage of this act shall make a return of such taxes due the commissioner of
5 revenue administration in such manner and on such forms as the commissioner shall prescribe in
6 rules adopted under RSA 541-A. The administrative provisions of RSA 77 shall remain in effect to
7 permit the audit and collection of taxes upon income taxable under RSA 77 which is received by
8 persons subject to taxation under that chapter through December 31, ~~[2026]~~ **2023**, and to permit the
9 distribution of that revenue. Persons who are liable for a tax under RSA 77 who do not report the
10 payment of federal income taxes on a calendar year basis are entitled to such proportion of the
11 exemptions allowed in RSA 77 as the reporting period bears to their taxable year.

12 2 Application; Repeal of RSA 77. Amend 2021, 91:101 to read as follows:

13 91:101 Application; Repeal of RSA 77. ~~[Paragraph II of section 99]~~ **The repeal of RSA 77 by**
14 **this act** shall apply to taxable periods beginning after December 31, ~~[2026]~~ **2023**.

15 3 Repeals; Interest and Dividends Taxation; Effective Date. Amend 2021, 91:102, II to read as
16 follows:

17 II. Sections 90-100 of this act shall take effect January 1, ~~[2027]~~ **2024**.

18 4 Effective Date. This act shall take effect upon its passage.

**HB 100-FN-A- FISCAL NOTE
AS INTRODUCED**

AN ACT to repeal the interest and dividends tax.

FISCAL IMPACT: State County Local None

STATE:	Estimated Increase / (Decrease)			
	FY 2023	FY 2024	FY 2025	FY 2026
Appropriation	\$0	\$0	\$0	\$0
Revenue	\$0	Indeterminable Decrease	Indeterminable Decrease	Indeterminable Decrease
Expenditures	\$0	\$0	\$0	\$0
Funding Source:	<input checked="" type="checkbox"/> General	<input type="checkbox"/> Education	<input type="checkbox"/> Highway	<input type="checkbox"/> Other

METHODOLOGY:

This bill changes the effective date of the repeal of the Interest and Dividends (I&D) tax from January 1, 2027 to January 1, 2024. The Department of Revenue Administration states the fiscal impact is indeterminable as the Department is not able to predict future I&D tax liability or credit carryforward amounts. Based on the following assumptions/information, the Department is able to estimate a possible fiscal impact:

- the bill is silent on the I&D tax rates as contained in Chapter 91:89, Laws of 2021, for taxable periods ending on or after December 31, 2024 through taxable periods ending on or after December 31, 2026. In estimating a potential fiscal impact of this bill, the Department is assuming the rates will no longer be in effect if this bill is passed.
- the starting point for calculating the fiscal impact is the FY 2022 cash basis I&D of \$156,400,000.
- based on a tax year revenue analysis of prior fiscal years, it was determined fiscal year tax revenue is comprised of 5 percent from the tax year 2 years prior, 68 percent is from the tax year 1 year prior and 27 percent from the current tax year (See table 1 below)
- applying the 5% tax rate to gross up the FY 2022 cash basis revenue results in a taxable I&D base of \$3,128,000,000 to use for the starting point of calculating the fiscal impact.

The first table below provides the tax rates and splits. The second table provides an estimated impact repealing the I&D tax will have on revenue.

Table 1. Current Law and Proposed Legislation Rates and Splits

Fiscal Year	Tax Year	% Applicable	Current Law I&D	Proposed Law I&D
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(FY)	(TY)	to Tax Year	Rates	Rates
FY 2024	TY 2022	5%	5.0%	5.0%
	TY 2023	68%	4.0%	4.0%
	TY 2024	27%	3.0%	0.0%
FY 2025	TY 2023	5%	4.0%	4.0%
	TY 2024	68%	3.0%	0.0%
	TY 2025	27%	2.0%	0.0%
FY 2026	TY 2024	5%	3.0%	0.0%
	TY 2025	68%	2.0%	0.0%
	TY 2026	27%	1.0%	0.0%
FY 2027	TY 2025	5%	2.0%	0.0%
	TY 2026	68%	1.0%	0.0%
	TY 2027	27%	0.0%	0.0%
FY 2028	TY 2026	5%	1.0%	0.0%
	TY 2027	68%	0.0%	0.0%
	TY 2028	27%	0.0%	0.0%
FY 2029 and forward	TY 2027 and forward	100%	0.0%	0.0%

Table 2. I&D Repeal Fiscal Impact - Static Analysis

Fiscal Year	FY 2022 Revenues with Current Law	FY 2022 Revenues with Proposed Legislation	Estimated Fiscal Impact Per Year (Proposed Legislation Compared to Current Law)	Cumulative Fiscal Impact (Proposed Legislation Compared to Current Law)
2024	\$118,200,000	\$92,900,000	(\$25,300,000)	(\$25,300,000)
2025	\$87,000,000	\$6,300,000	(\$80,700,000)	(\$106,000,000)
2026	\$55,600,000	\$0	(\$55,600,000)	(\$161,600,000)
2027	\$24,400,000	\$0	(\$24,400,000)	(\$186,000,000)
2028	\$1,600,000	\$0	(\$1,600,000)	(\$187,600,000)

The fiscal impact of the proposed rate reduction 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 2022 cash basis revenue. The estimated fiscal impact does not account for any overpayment/ credit carry forwards on file. The use of these overpayments would further increase the loss of revenue as taxpayers would apply the overpayments to any I&D tax liability.

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

AGENCIES CONTACTED:

Department of Revenue Administration