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Capital Gains Proposal Would Generate New Revenue While Reducing Property Tax for Thousands

CONCORD, NH – The House Ways and Means Committee today held a hearing on a proposal that would both raise needed revenue for the state and begin to address the lack of equity in its tax system. HB 634 would expand New Hampshire’s existing interest and dividends tax to include capital gains, generating nearly \$100 million in new revenue each year once fully implemented.

While bolstering the resources available for the FY 2016-2017 budget, the proposal would also reduce the taxes paid by everyday Granite Staters. It would increase the basic exemptions within the interest and dividend tax and update the Low and Moderate Income Homeowner Property Tax Relief Program to ensure more individuals and families can access rebates through the program. Additionally, the proposal allocates the first \$25 million in revenue to restore dedicated revenue sharing with cities and towns, reducing pressure on local property taxes.

“This proposal would close a gap in New Hampshire’s existing tax system and allow the state to make important investments in education, public safety, and other services that support working families and strengthen the Granite State economy,” said New Hampshire Fiscal Policy Institute Executive Director Jeff McLynch in his testimony before the committee.

“Most New Hampshire residents would see no change in the taxes they pay if this proposal became law, but everyone would see greater support for the services they count on state government to provide,” added McLynch. “Of those who would pay a different tax bill, many more would receive a tax cut than would experience a tax increase.”

New Hampshire has historically relied on taxes on property, the sale of property, and the income some property produces to help finance public services. Yet, New Hampshire currently excludes from taxation the income received from the sale of stocks and other assets, known as capital gains. IRS data show that 88 percent of all taxable capital gains reported in New Hampshire in 2012 accrued to taxpayers with incomes over \$200,000; taxpayers with incomes of over \$1 million accounted for 66 percent. As a result, 98 percent of the revenue generated by HB 634 will come from the top 20 percent of income earners in the state.

Due to a variety of factors, New Hampshire’s revenue system has yet to fully recover from the national recession of 2007 through 2009. At the close of FY 2014, General and Education Fund revenue amounted to \$2.17 billion. After adjusting for inflation, that sum is approximately 12 percent or roughly \$290 million less than what was collected from the same sources in FY 2008.

The New Hampshire Fiscal Policy Institute is an independent, non-profit, non-partisan organization dedicated to exploring, developing, and promoting public policies that foster economic opportunity and prosperity for all New Hampshire residents, with an emphasis on low- and moderate-income families and individuals. Learn more at www.nhfpi.org.