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Senate Vote for Business Tax Cuts Limits State's Ability to Invest in Economic Growth

CONCORD, NH – The Senate today voted in favor of providing tax breaks for businesses that will reduce the state's ability to make vital investments in education, infrastructure, and other services essential to supporting a strong workforce and fostering a vibrant economy.

"These business tax cuts will not create jobs or boost the economy, but instead will drain millions of dollars out of the state budget each year," said Jeff McLynch, executive director of the New Hampshire Fiscal Policy Institute. "The revenue loss in the upcoming biennium is about the size of the annual General Fund budget for the Department of Resources and Economic Development or more than one and half times that of the Department of Justice. That is before the cost of the tax cuts begins to balloon in future years. Back-loaded tax cuts like the ones the Senate approved today are fiscally irresponsible and not in New Hampshire's best interest today or in the future."

SB 1, which would lower the business profits tax (BPT) rate, and SB 2, which would lower the business enterprise tax (BET) rate, together likely would reduce state revenue by nearly \$80 million on a biennial basis once fully phased in.

"Contrary to proponents' claims, these business tax cuts will not pay for themselves, but they will likely lead to significant cuts in the public structures and services vital to sustained and widely-shared economic prosperity," added McLynch. "To ensure the state remains attractive to residents, workers, and entrepreneurs, New Hampshire must invest in quality schools, in affordable higher education, in safe roads and bridges, and in healthy, vibrant communities."

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 the state collected from the same sources in FY 2008. Between FY 2008 and FY 2014, the combination of the BPT and BET, after adjusting for inflation, has dropped almost 20 percent or just over \$136 million, due in part to numerous tax cuts put in place in recent years.

McLynch provided testimony outlining the shortcomings of proposed business tax cuts at the Senate Ways and Means Committee's January 20 public hearing. The testimony is available [online](#).

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.