

NH CAN'T AFFORD AN \$80 MILLION BUSINESS TAX CUT

Summary of Senate Leadership's Proposed Business Tax Cuts

SB 1- Reducing the rate of the Business Profits Tax

As amended by the Ways & Means Committee, SB 1 would reduce the rate of the Business Profits Tax (BPT) in three steps:

- from 8.5 to 8.3 percent effective December 31, 2015.
- from 8.3 to 8.1 percent effective December 31, 2017.
- from 8.1 to 7.9 percent effective December 31, 2019.

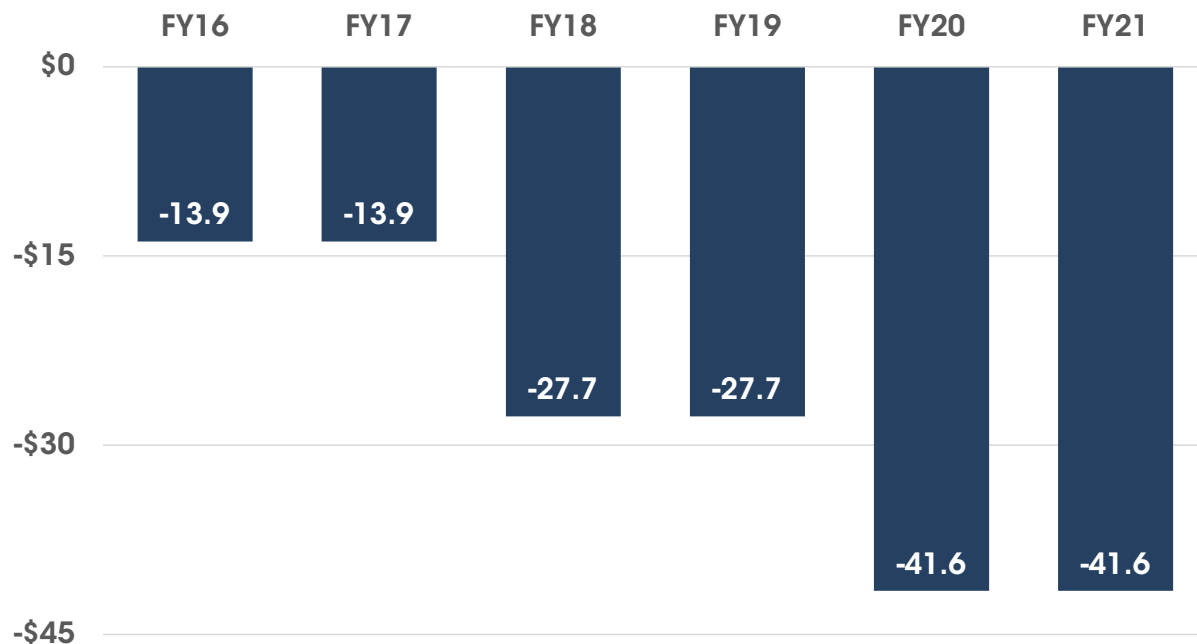
SB 2 - Reducing the rate of the Business Enterprise Tax

As amended by the Ways & Means Committee, SB 2 would reduce the rate of the Business Enterprise Tax (BET) in three steps:

- from 0.75 to 0.725 percent effective December 31, 2015.
- from 0.725 to 0.7 percent effective December 31, 2017.
- from 0.7 to 0.675 percent effective December 31, 2019.

Impact of Backloaded Business Tax Cuts Balloons in Future Years

Estimated revenue loss resulting from combination of SB 1 & SB 2, by fiscal year, in millions of dollars



Source: NHFPI calculations based on data from NH Department of Revenue Administration

Combined Fiscal Impact of SB 1 and SB 2

The fiscal note accompanying the amended version of SB1 indicates that it would ultimately reduce BPT revenue by \$24.0 million per year, while the note accompanying SB2 estimates an annual revenue loss of \$22.8 million once fully implemented.

However, because the BPT and BET are designed to function in tandem, prior analysis by the Department of Revenue Administration suggests that, if both SB1 and SB2 were enacted, the net revenue loss would be somewhat smaller than simply adding those two amounts together; that interaction could reduce the gross effect of the two changes by 2 to 11 percent. If the interaction between the two changes fell in the upper end of that range, the revenue loss in the FY 2020-2021 biennium, when both sets of changes would be complete, would likely be roughly \$83 million.

	<i>Projected General & Education Fund Revenue Impact (\$M)</i>					
	FY16	FY17	FY18	FY19	FY20	FY21
SB1 - reducing BPT rate to 7.9 pct	-8.0	-8.0	-16.0	-16.0	-24.0	-24.0
SB2 - reducing BET rate to 0.675 pct	-7.6	-7.6	-15.2	-15.2	-22.8	-22.8
Combined impact (no interaction)	-15.6	-15.6	-31.2	-31.2	-46.8	-46.8
Combined impact (with interaction)	-13.9	-13.9	-27.7	-27.7	-41.6	-41.6