

# Economic and Fiscal Orientation

Presentation to the House Finance Committee,  
House Ways & Means Committee, Senate Ways &  
Means Committee, and Senate Finance Committee  
*January 9, 2017*

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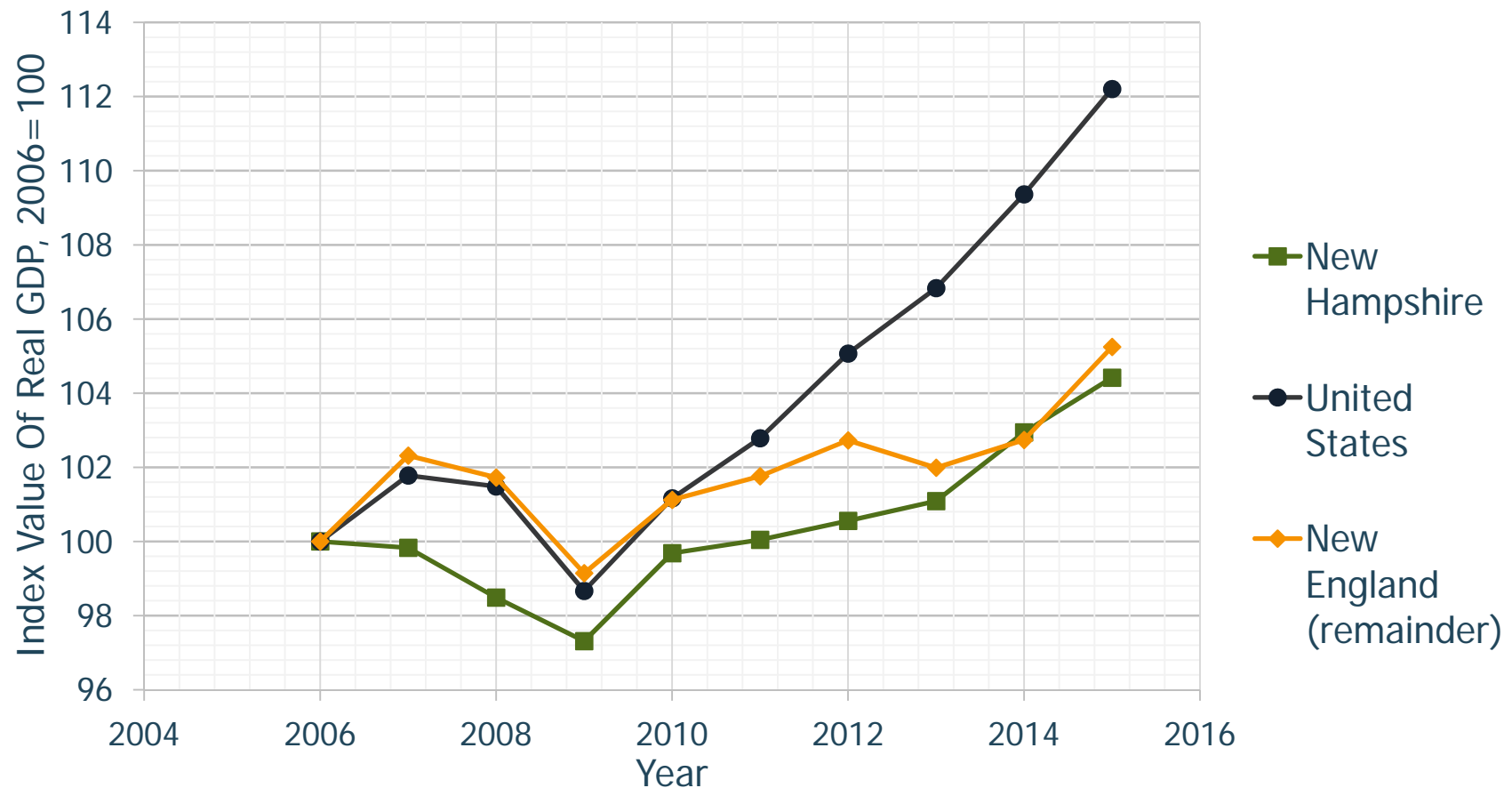
## SFY 2018-2019 Economic and Fiscal Orientation

- **What do key indicators suggest about the economy and State revenues?**
- Where does New Hampshire's revenue come from?
- How widespread is economic growth since the Recession?

# New Hampshire Economic Output In Context

## NH Recession Started Earlier, Was Not As Sharp

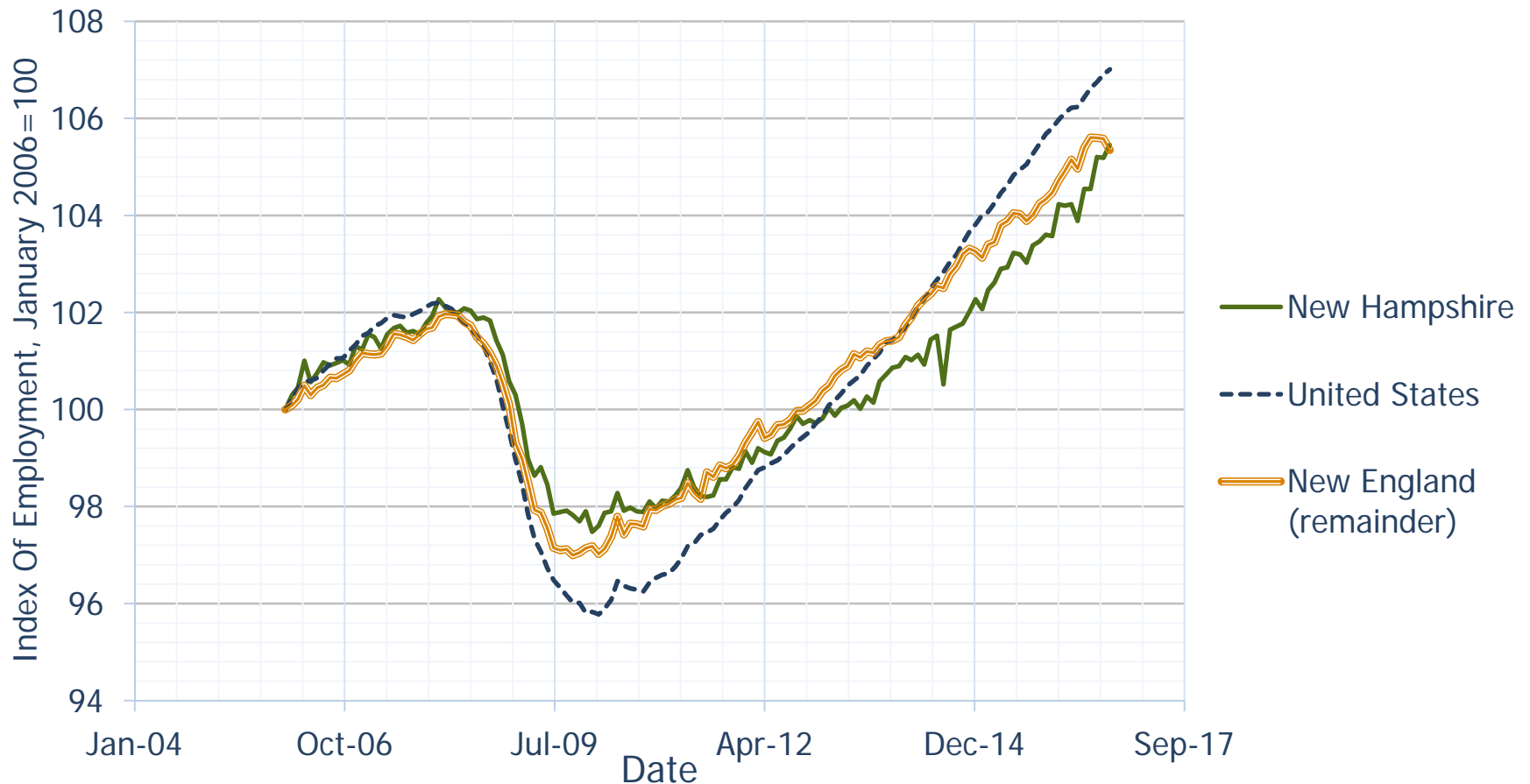
*Real Gross Domestic Product (chained 2009 dollars) By Jurisdictions, 2006=100*



# NH Employment Recovered From Recession

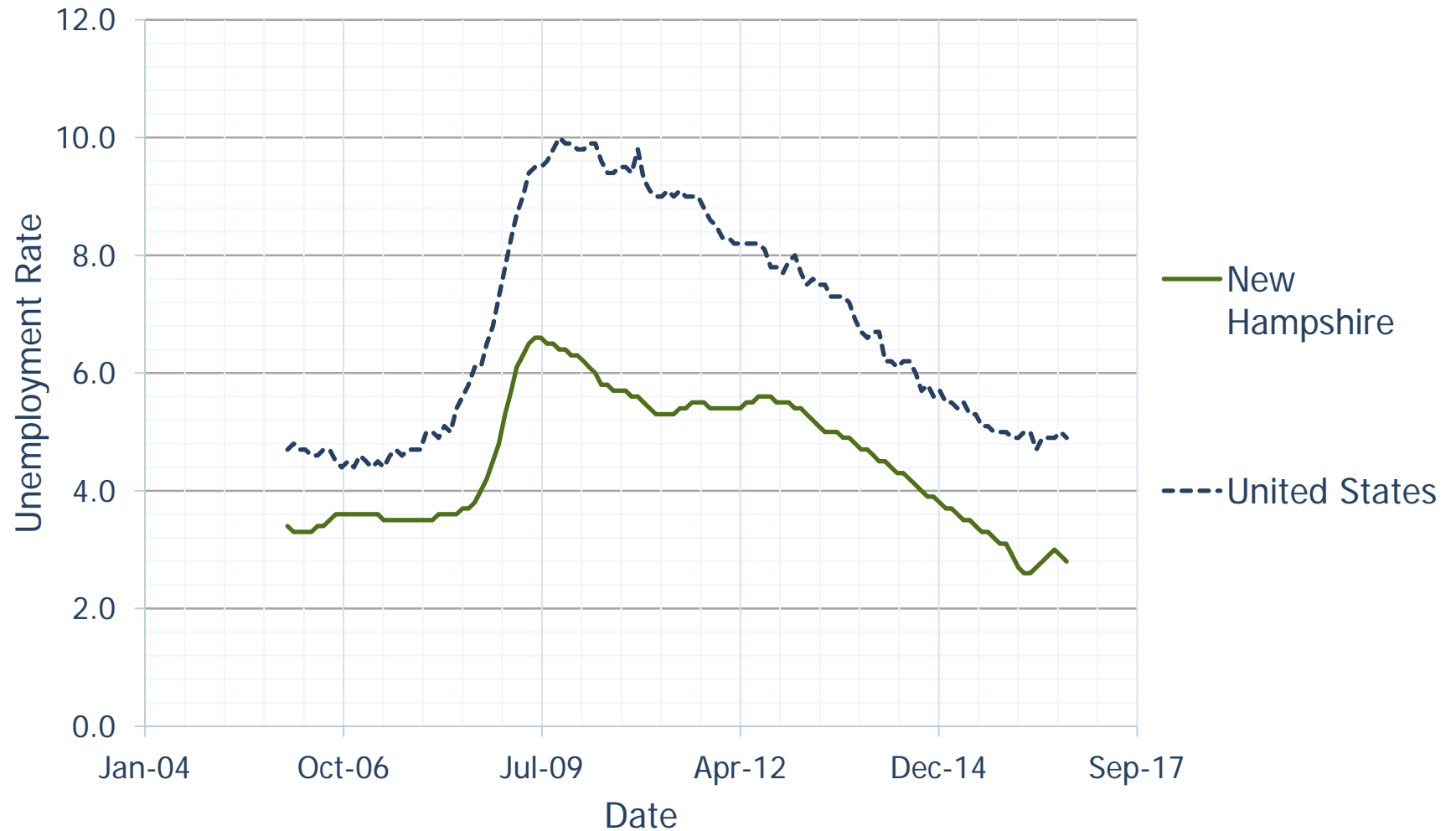
## Employment Growth Slower Than National Average

Total Monthly Payroll Employment, US, NH, Rest Of New England; January 2006 = 100



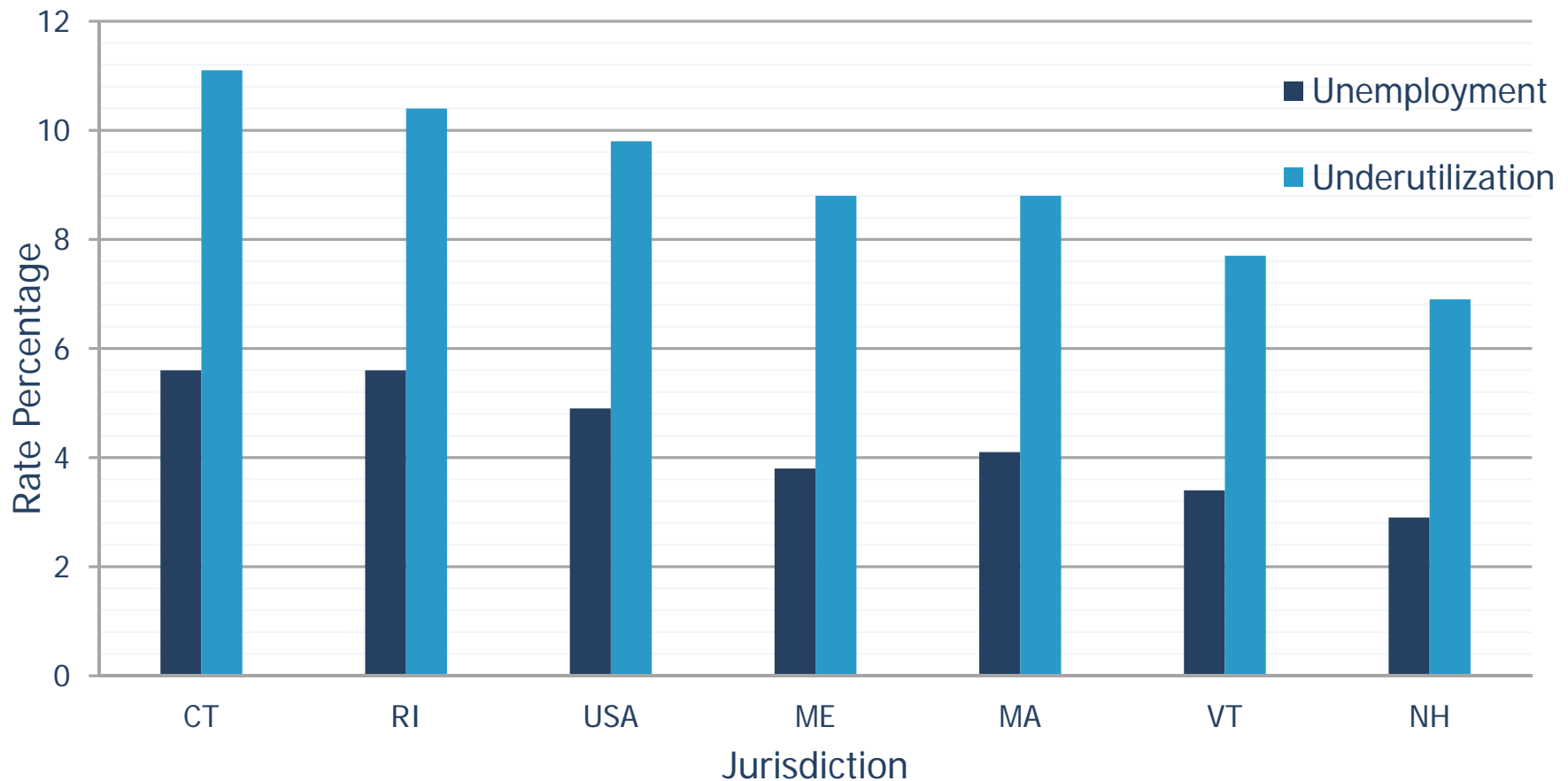
# Unemployment Rate Lower Than Pre-Recession, National

## *Unemployment Rates For New Hampshire And The United States*



# Labor Underutilization Also Relatively Low

*Unemployment Rates And Broadest Official Underutilization Rates  
For 2015Q4 Through 2016Q3*

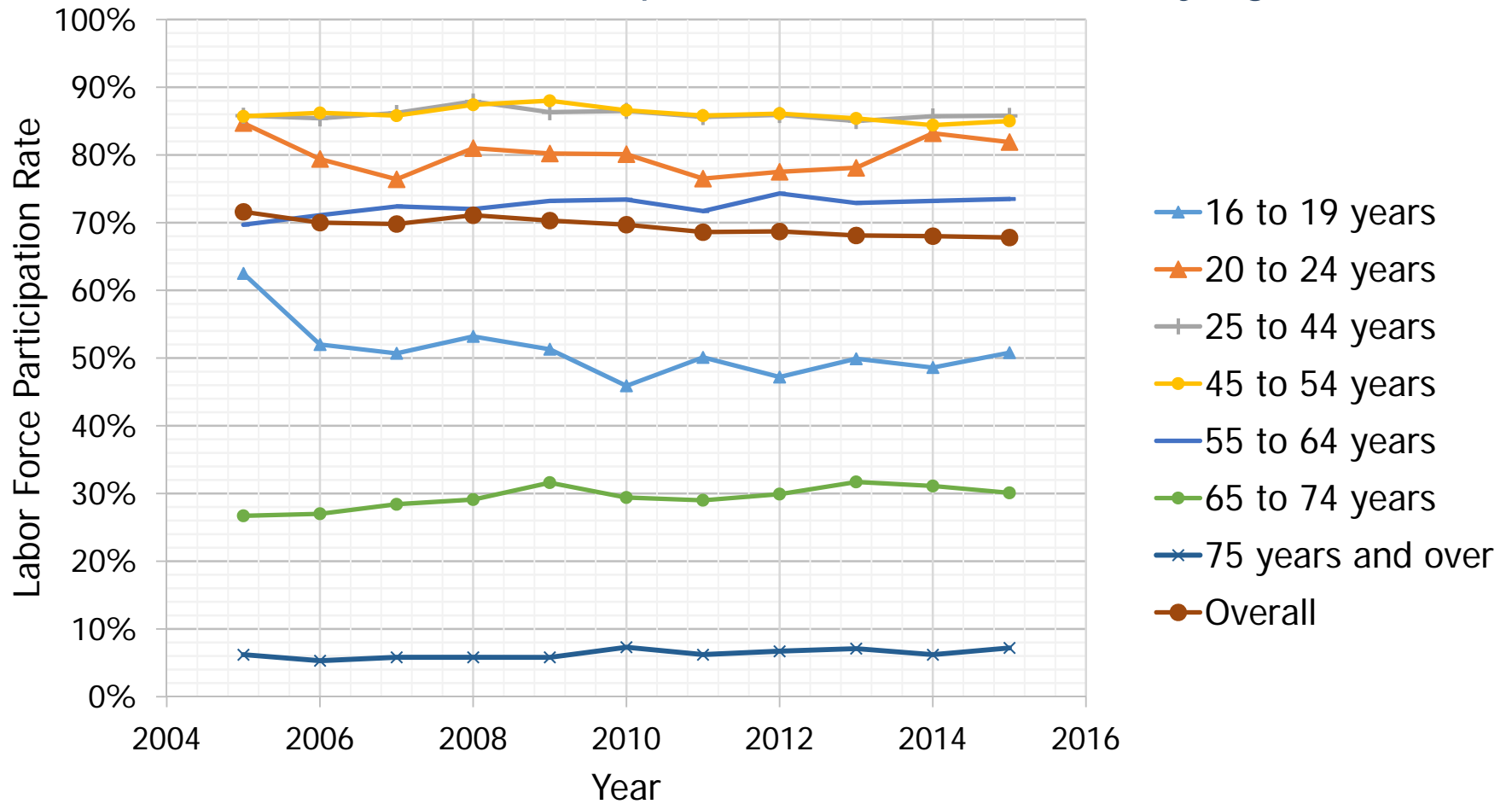


Note: Of official federal measures, unemployment rate is U3, underutilization is U6.

Sources: U.S. Bureau of Labor Statistics

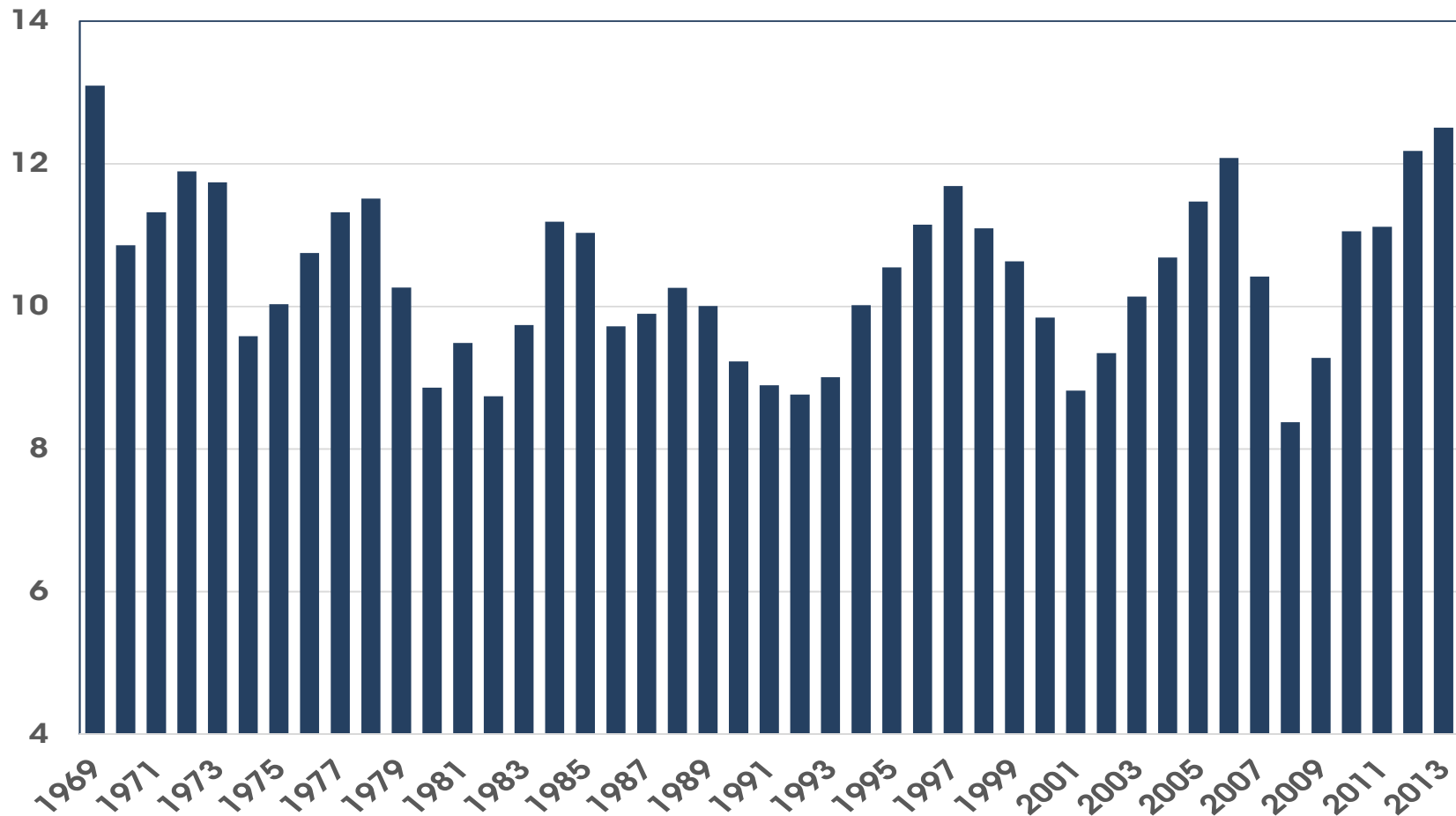
# Workforce Participation Rates By Cohort

## *NH Labor Force Participation Rates Since 2006, By Age*



# U.S. Corporate Profitability Cyclical Over Decades

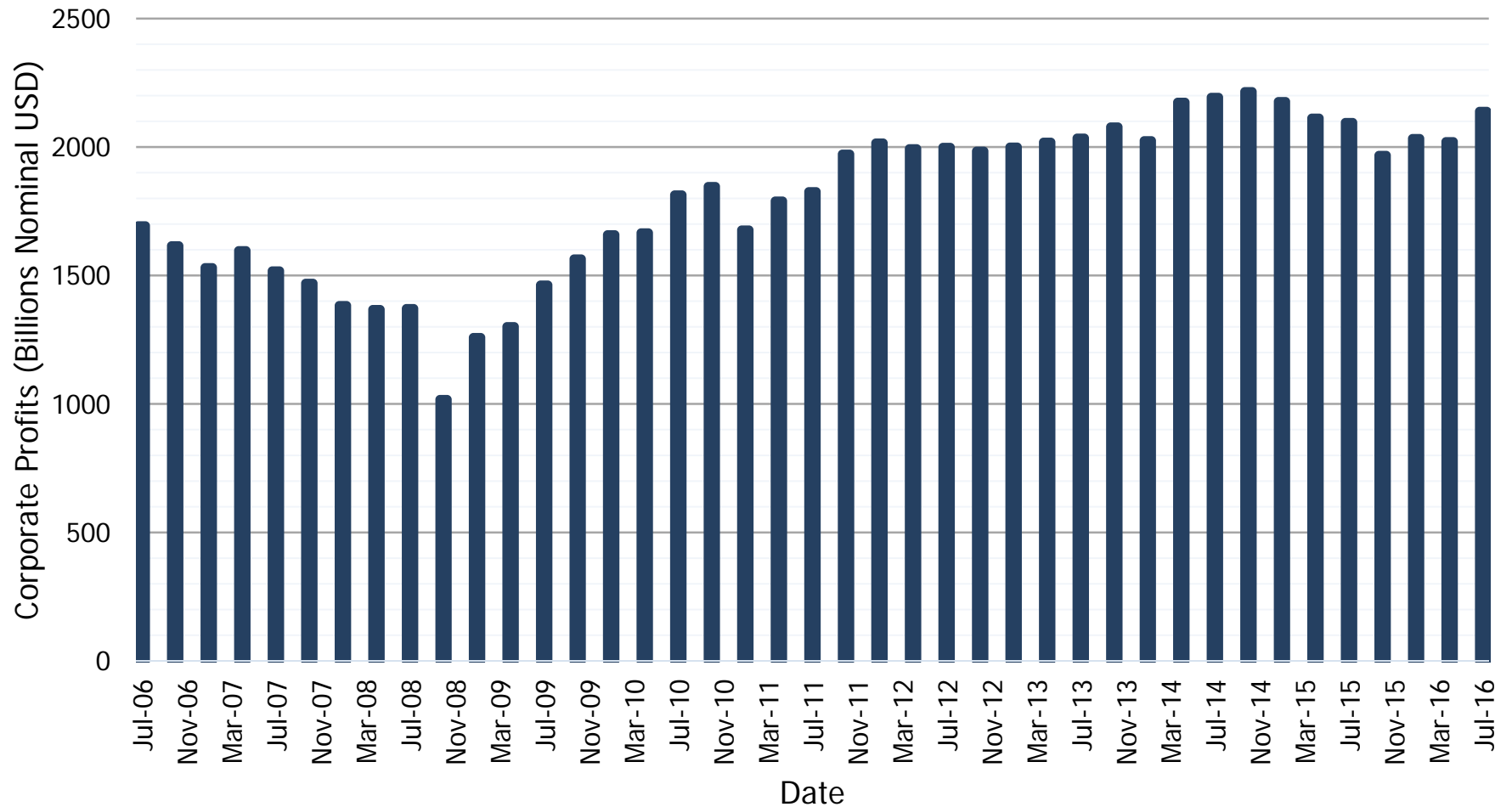
*Net Operating Surplus As A Share Of Fixed Corporate Assets, 1969-2013*





# U.S. Corporate Profitability Since Recovery

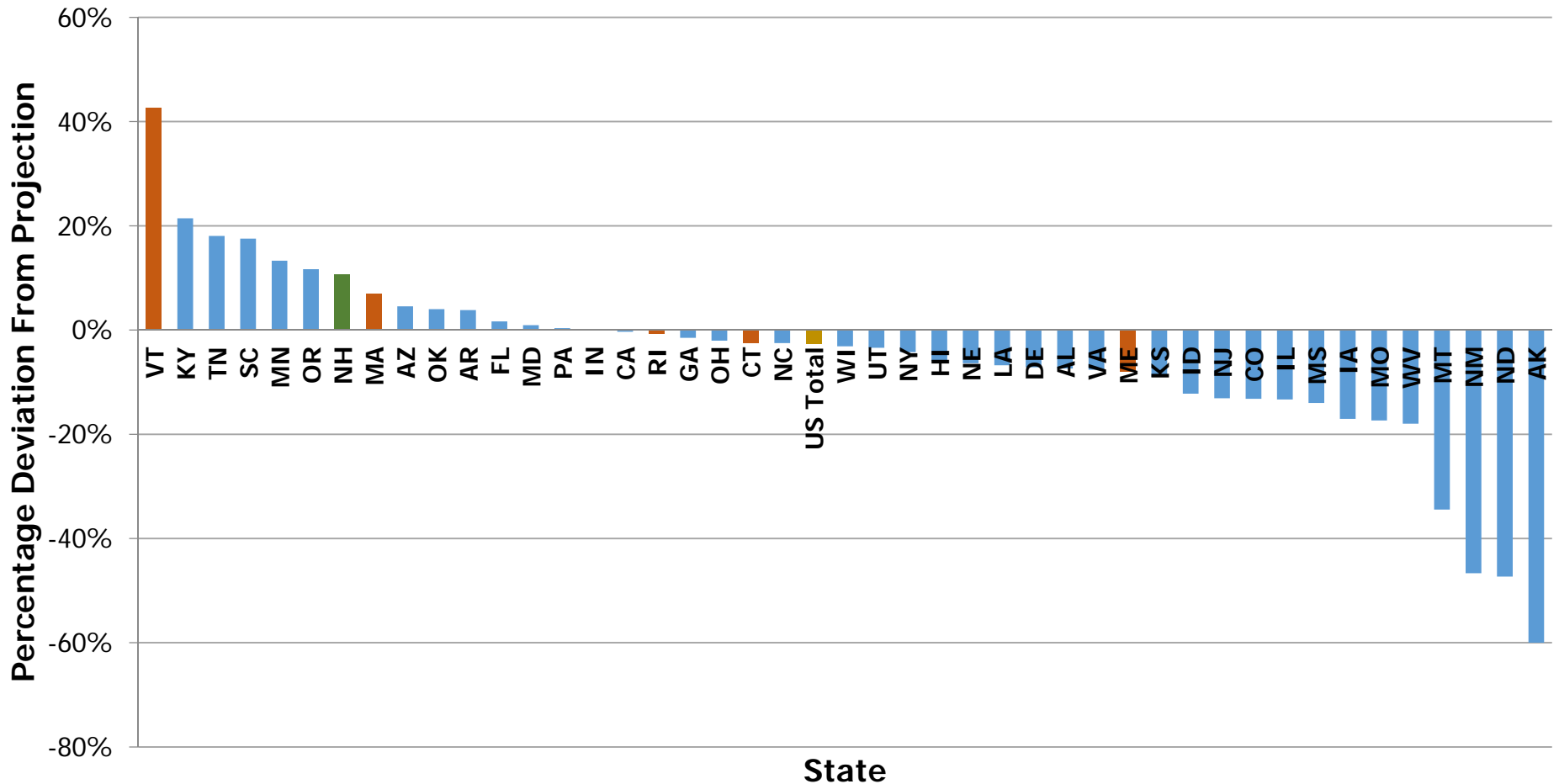
*Corporate Profits With Inventory Valuation And Capital Consumption Adjustments*



# Corporate Income Taxes Relative To Projections

New Hampshire One Of 14 States Meeting Or Exceeding Projections

Corporate Income Tax Preliminary Actuals As Percent Difference From Budget, SFY 2016



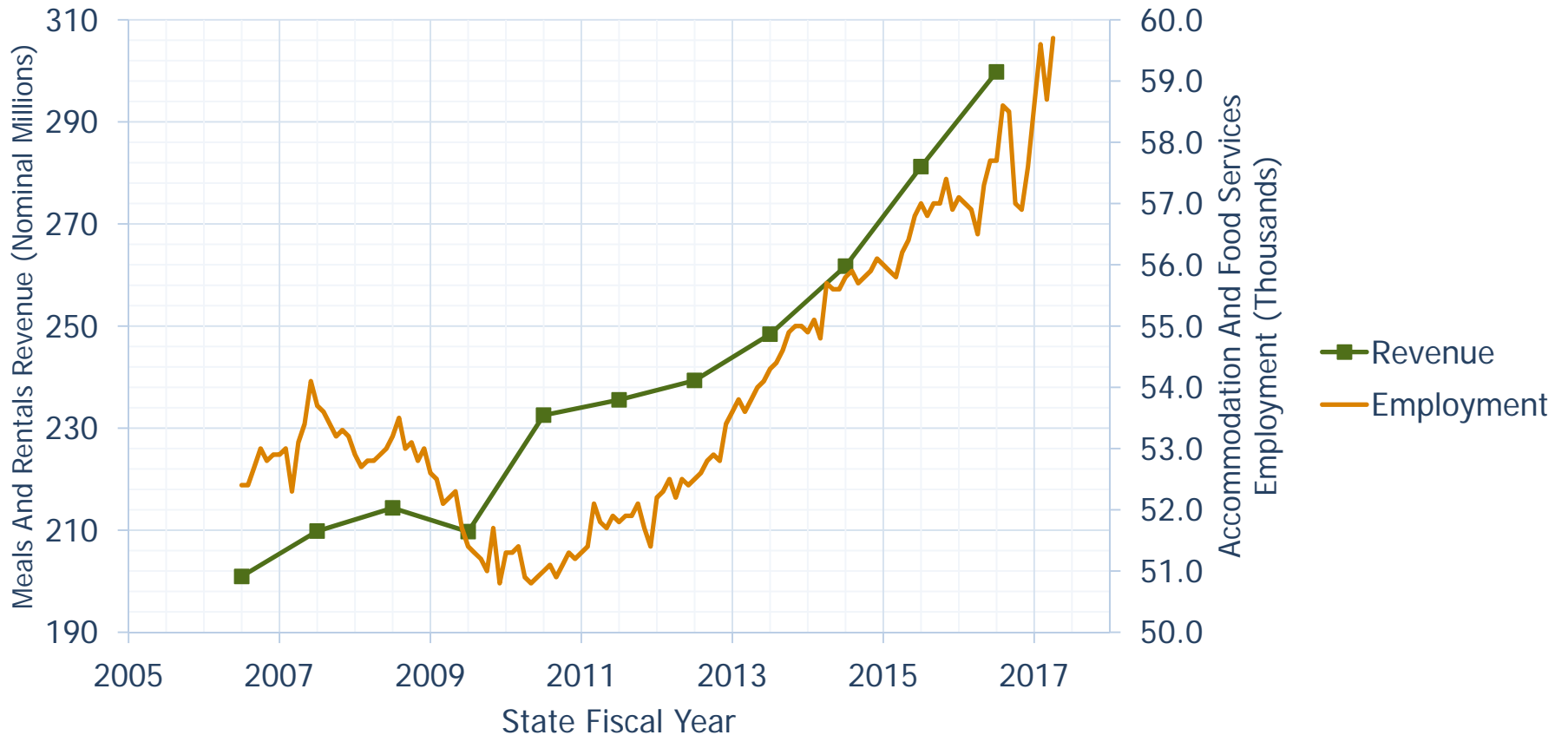
Note: Michigan not included.

Source: National Association of State Budget Officers, Fiscal Survey of the States – Fall 2016

# Meals And Rentals Receipts And Industry Size

## Employment Trend Appears Consistent With Receipts

*Meals And Rentals Revenue And Accommodation And Food Services Sector Employment*

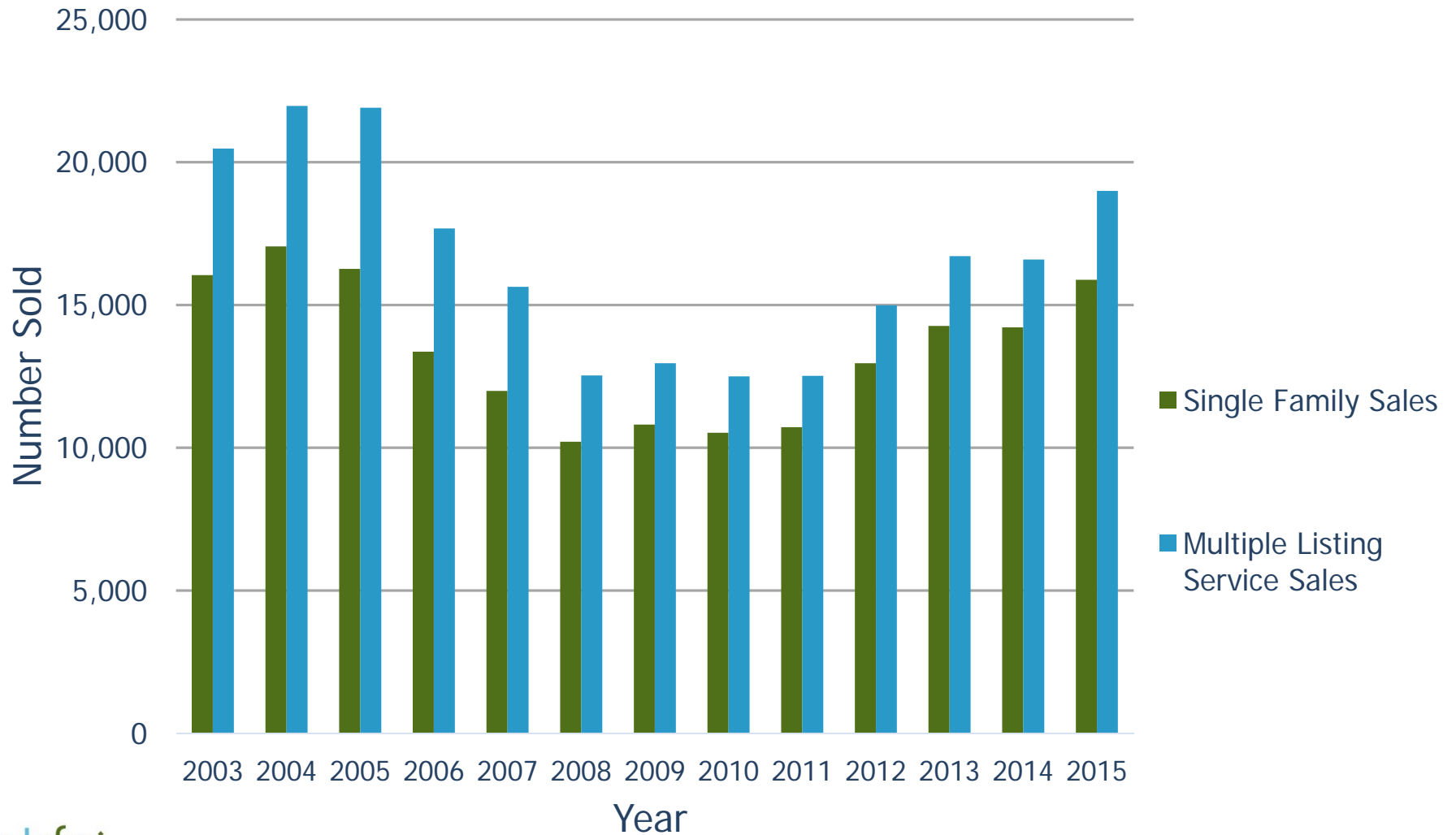


Notes: The Meals And Rentals rate was raised from 8 percent to 9 percent in SFY 2010. Revenue indicated in SFY 2016 is an unaudited estimate from the Department of Administrative Services.

Sources: CAFR SFYs 2014 and 2015, U.S. Bureau of Labor Statistics, Department of Administrative Services Monthly Revenue Update

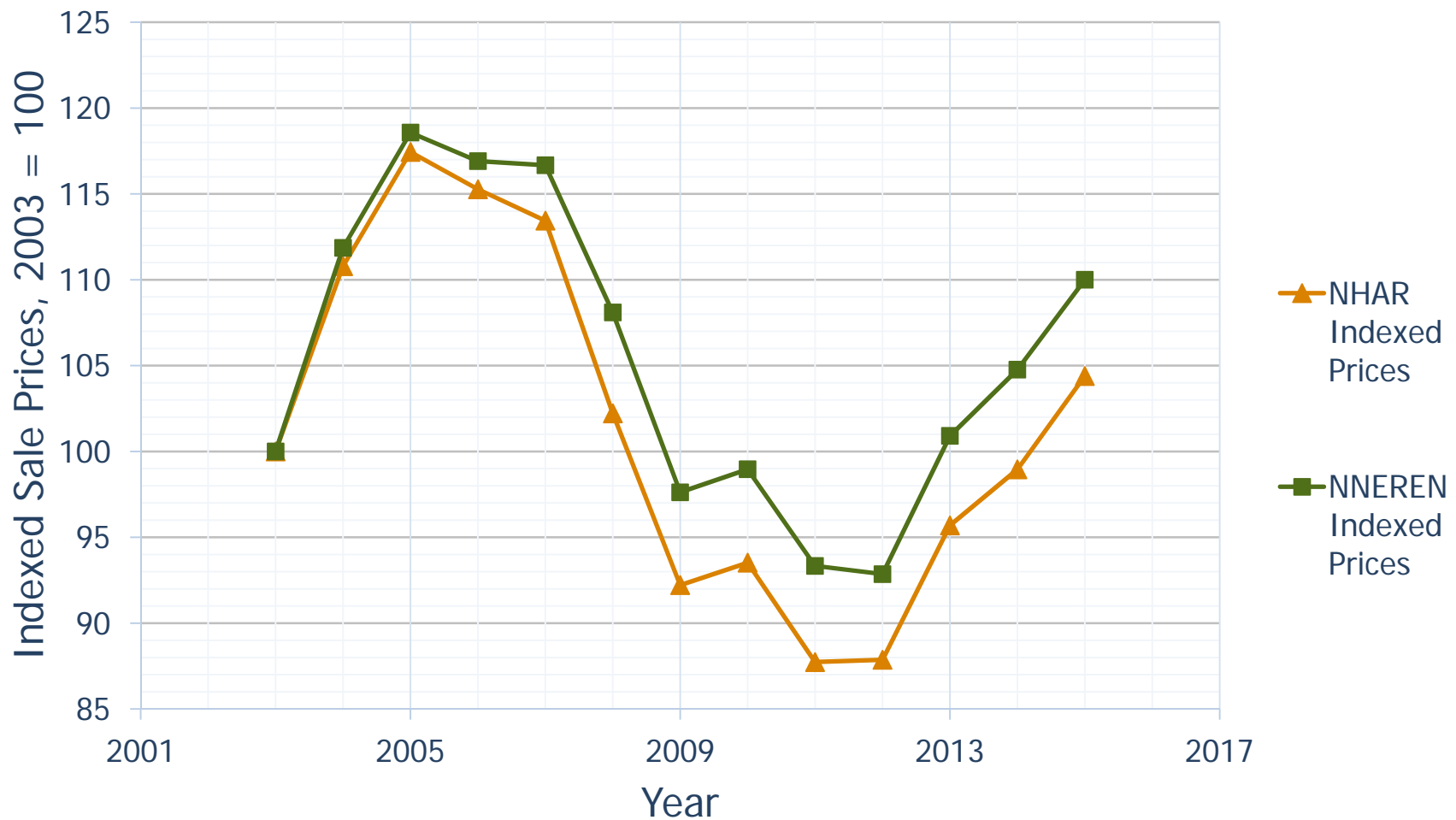
# NH House Sales Rising

*NH Association Of Realtors And Northern New England Real Estate Network Housing Sales*



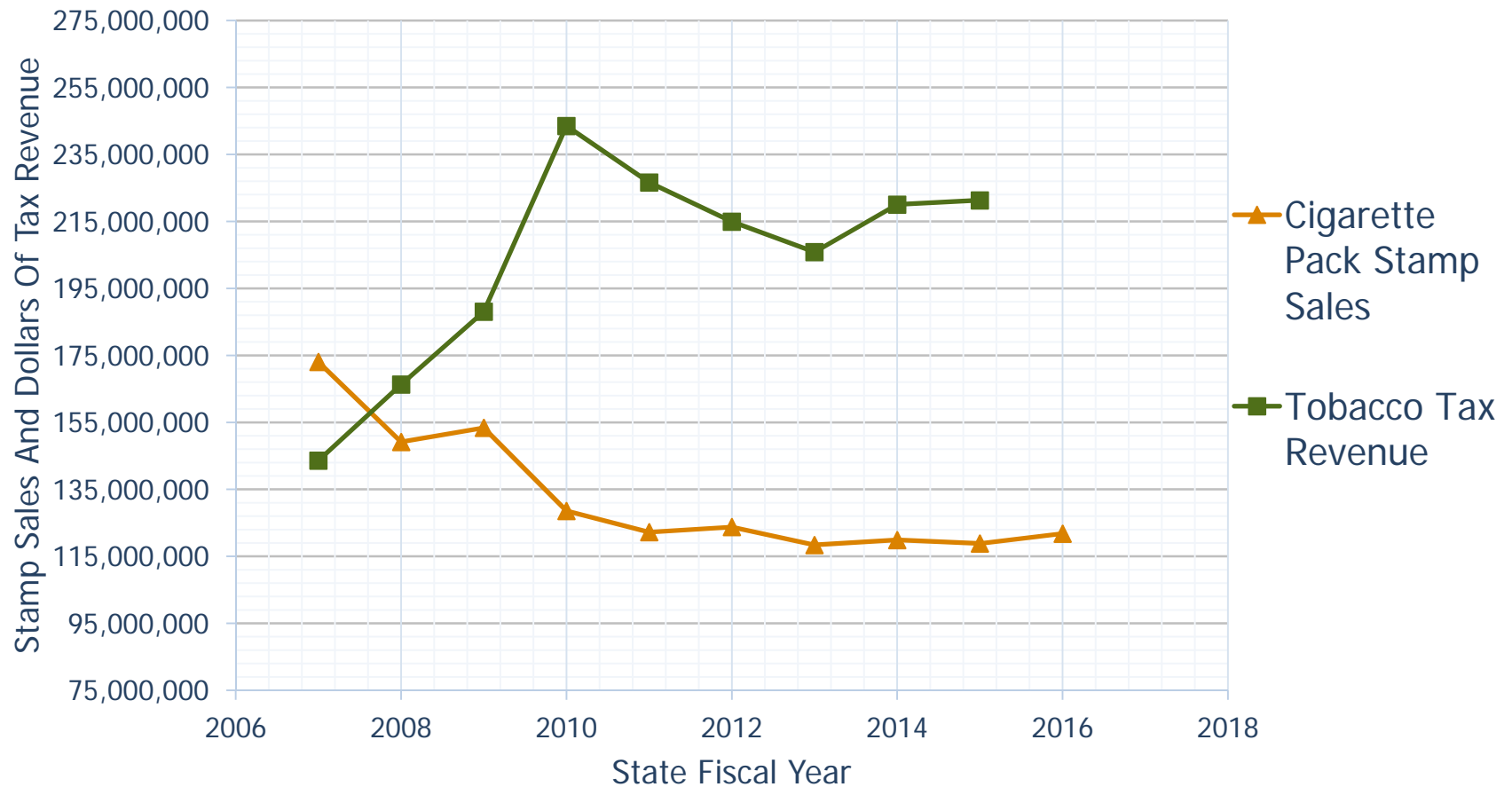
# NH House Prices Rising

*NH Association Of Realtors And Northern New England Real Estate Network Housing Sales*



# Cigarette Consumption And Tobacco Tax Revenue

*Cigarette Pack Stamp Sales (Mechanism For Implementing Most Of Tax) And Revenue*

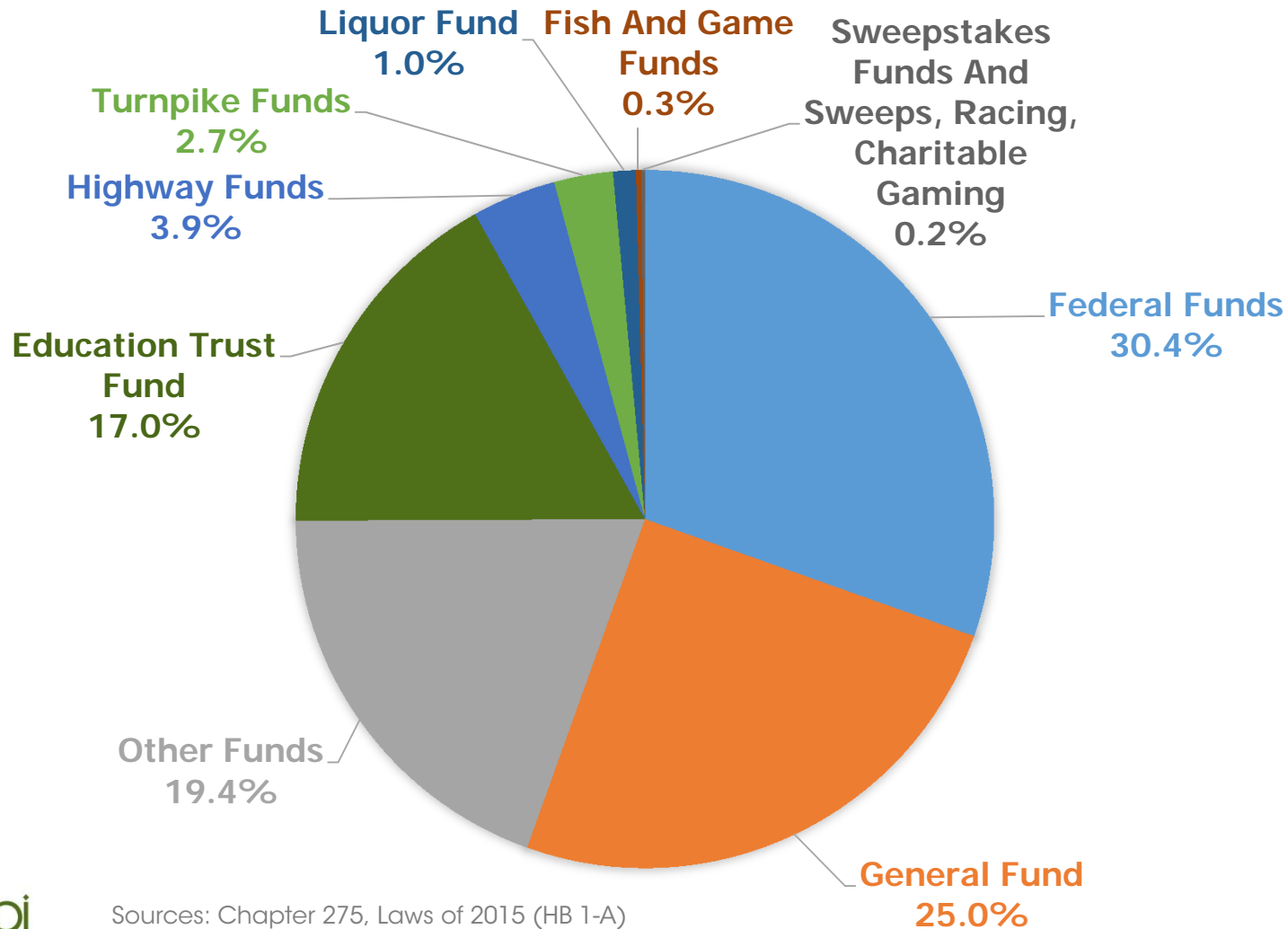


## SFY 2018-2019 Economic and Fiscal Orientation

- What do key indicators suggest about the economy and State revenues?
- **Where does New Hampshire's revenue come from?**
- How widespread is economic growth since the Recession?

# Budget-Identified Funds By Magnitude

*State Fiscal Year (SFY) 2016-17 Biennial Budget*



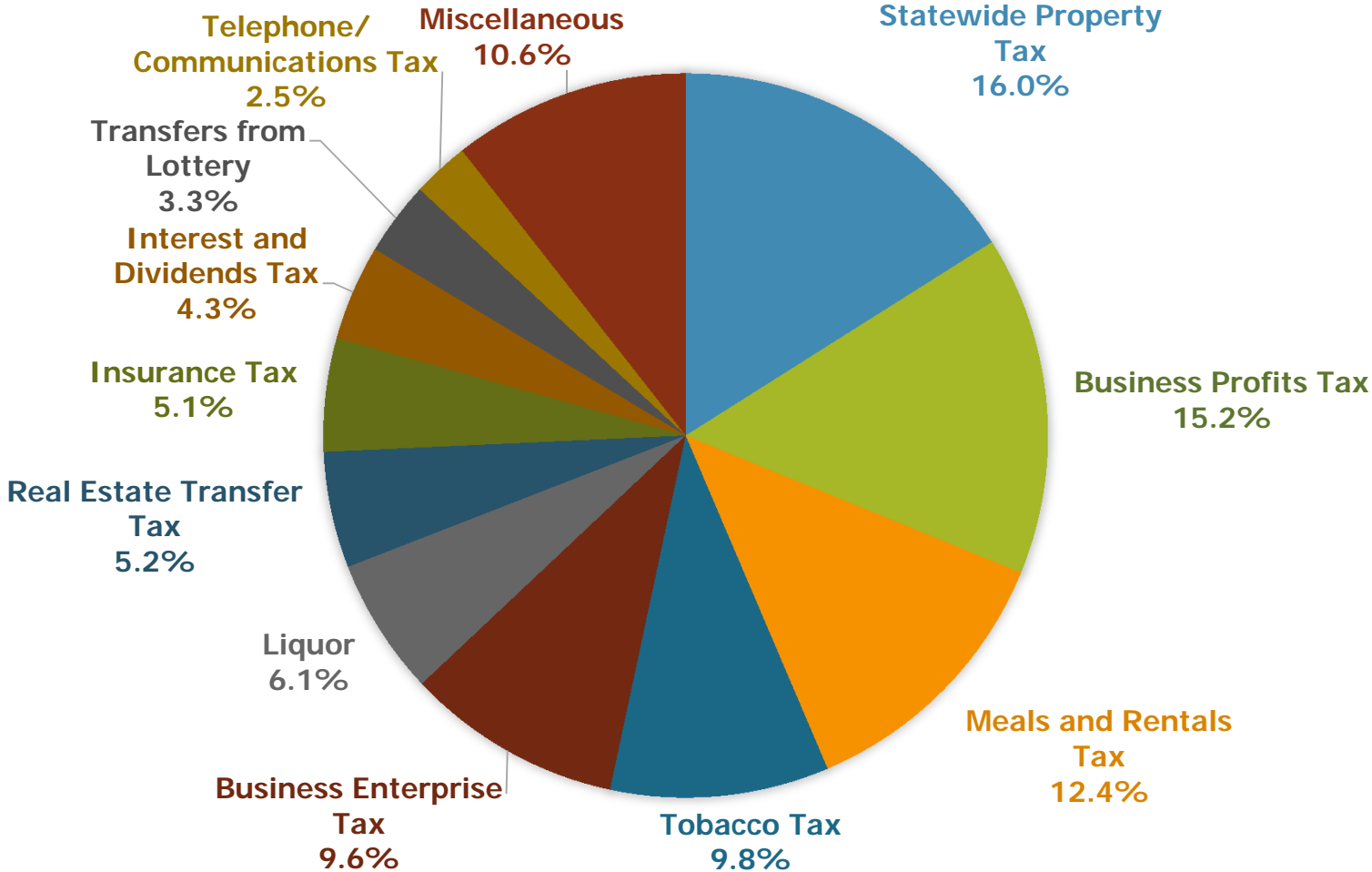


# Sources Of State Revenue

- Federal Sources
  - Medicaid
  - Federal transportation aid
  - Education aid
    - Special education
    - School lunch program
    - Professional development
  - TANF
  - Veterans care aid
  - WIC supplemental nutrition
  - Water pollution and infrastructure funds
  - Many other programs and grants
- State Sources
  - Statewide Property Tax
  - Business Profits Tax
  - Business Enterprise Tax
  - Road Toll (gasoline tax)
  - Tobacco Tax
  - Interest And Dividends Tax
  - Real Estate Transfer Tax
  - Meals And Rentals Tax
  - Insurance Tax
  - Communications Tax
  - Other taxes and sales
  - Fees and settlements
  - Fines

# State Collection: General And Education Trust Funds

## *SFY 2015 State Revenue Collected*



# New Hampshire Taxes: Sources And Destinations

	Principal Taxes	SFY 2015 (Millions)	Rate	Percent of SFY 2015 State Budget
General Fund	Business Profits Tax <sup>1</sup>	\$282	7.00%	5.2%
	Meals And Rentals Tax <sup>2</sup>	\$273	9.00%	5.0%
	Tobacco Tax	\$129	\$1.00/pack	2.4%
	Insurance Tax	\$114	1.25%	2.1%
	Interest And Dividends Tax	\$97	5.00%	1.8%
	Real Estate Transfer Tax	\$79	\$0.50/\$100	1.5%
	Business Enterprise Tax <sup>1</sup>	\$72	0.25%	1.3%
Education Trust Fund	Statewide Property Tax	\$363	Varies – Fixed Target	6.7%
	Business Enterprise Tax	\$146	0.50%	2.7%
	Tobacco Tax	\$93	\$0.78/pack	1.7%
	Business Profits Tax	\$61	1.50%	1.1%
	Real Estate Transfer Tax	\$39	\$0.25/\$100	0.7%
	Meals And Rentals Tax <sup>2</sup>	\$9	9.00%	0.2%
Highway Fund	Road Toll (gasoline tax)	\$182	\$0.222/gal.	3.4%
	Motor Vehicle Fees	\$117	Varies – By Vehicle Type	2.2%

<sup>1</sup> The General Fund rates for both the Business Profits Tax and the Business Enterprise Tax have been reduced to 6.70 percent and 0.22 percent since SFY 2015.

<sup>2</sup> Tax receipts from rentals go to the Education Trust Fund while receipts from meals and rooms transactions go to the General Fund. Both are taxed at the same rate. 19

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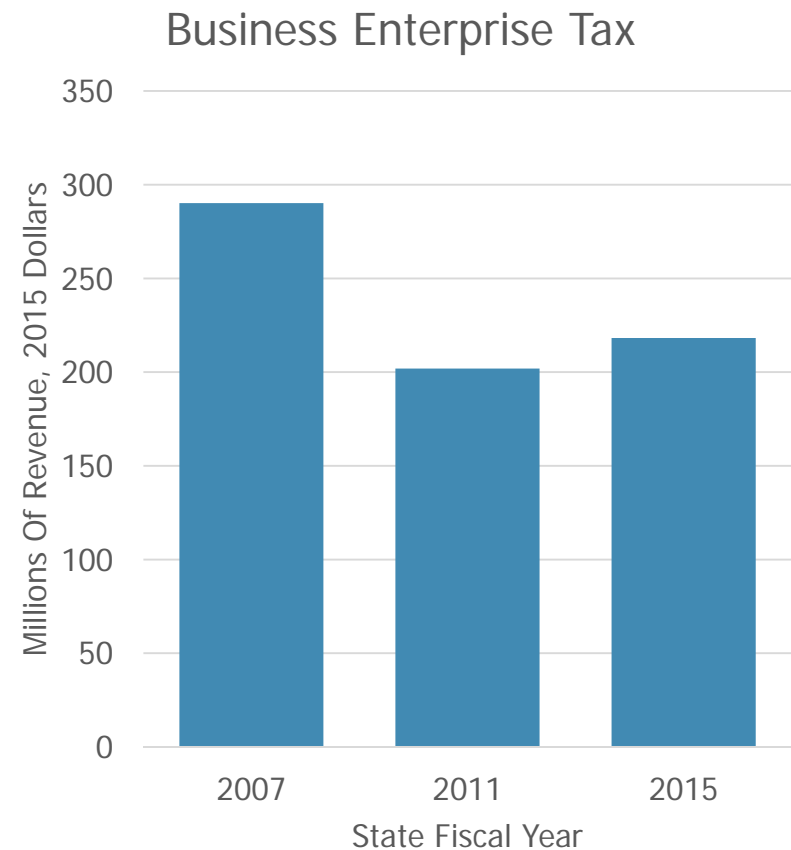
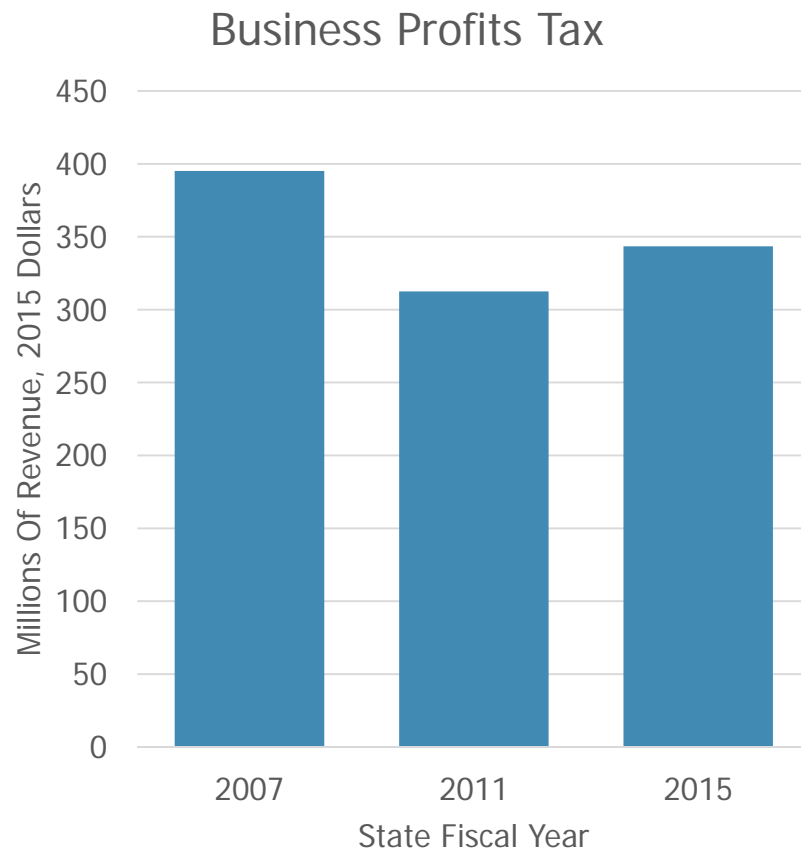
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# Changes In Tax Revenues

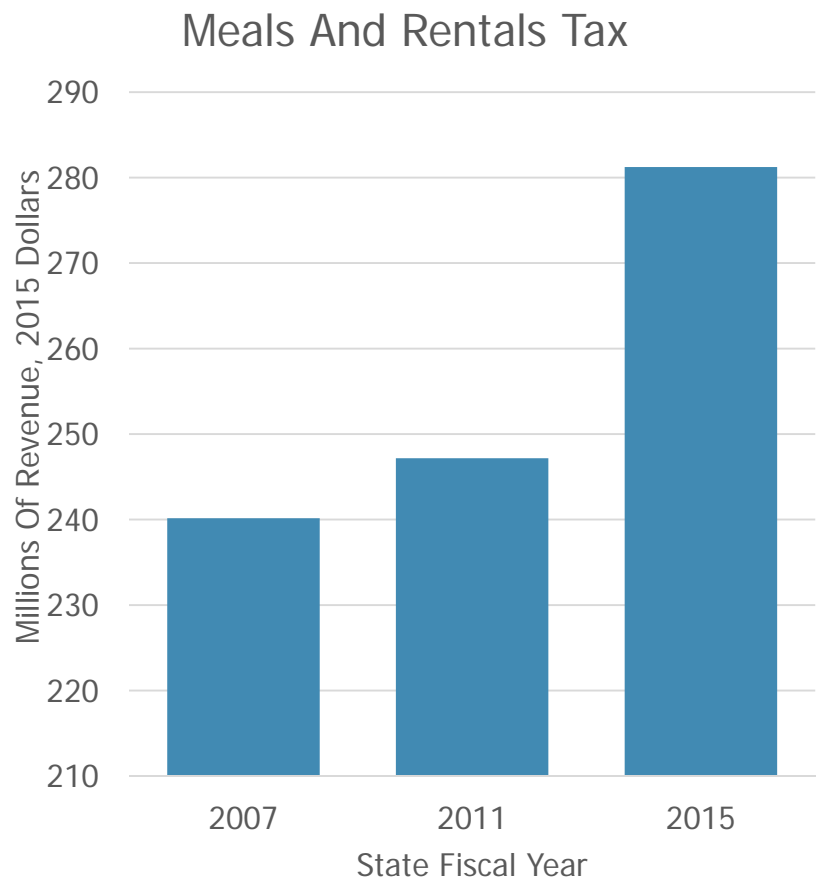
*Inflation-adjusted Change In Select NH Taxes: SFY 2007, SFY 2011, SFY 2015*



Note: Inflation adjustments completed using CPI-U, Northeast. All dollars are 2015.

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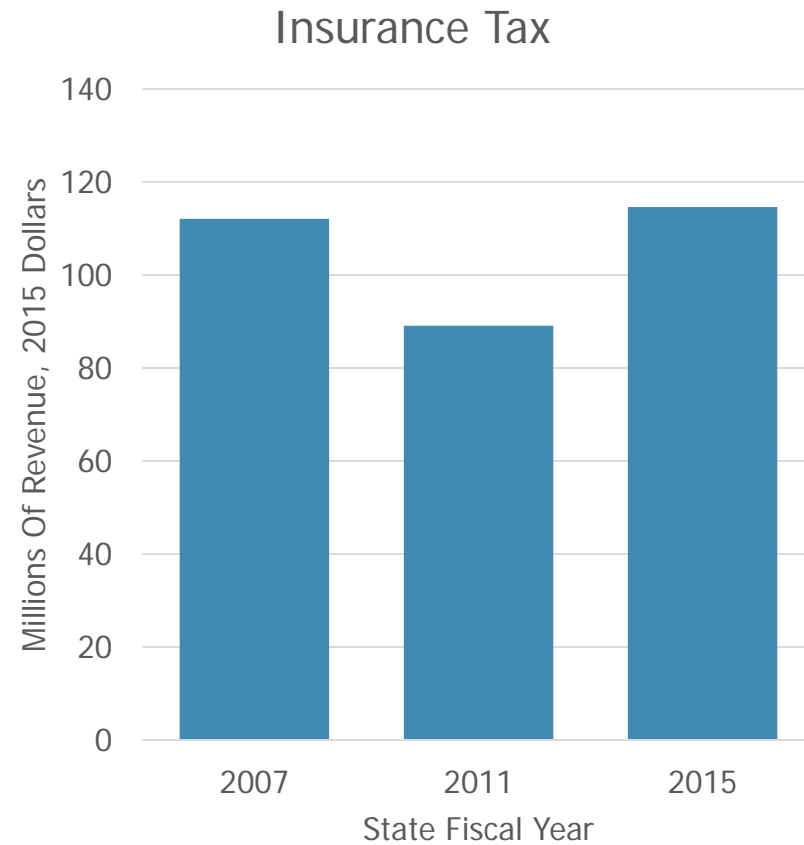
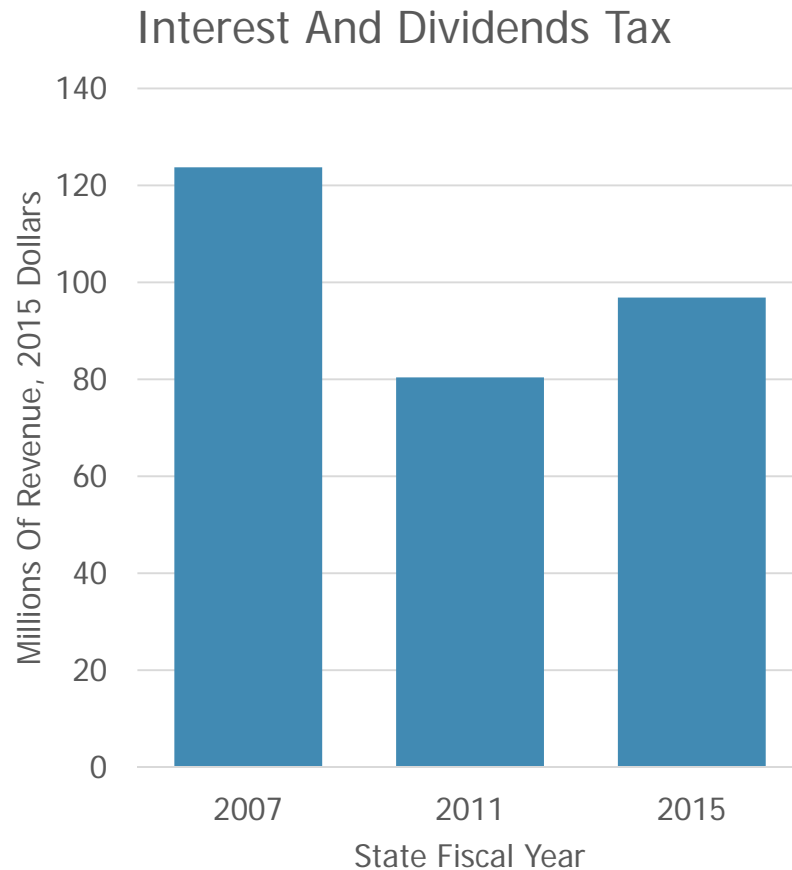
Note: Inflation adjustments completed using CPI-U, Northeast. All dollars are 2015.



Sources: Comprehensive Annual Financial Reports, SFYs 2014 and 2015, DRA reports, and US Bureau of Labor Statistics data

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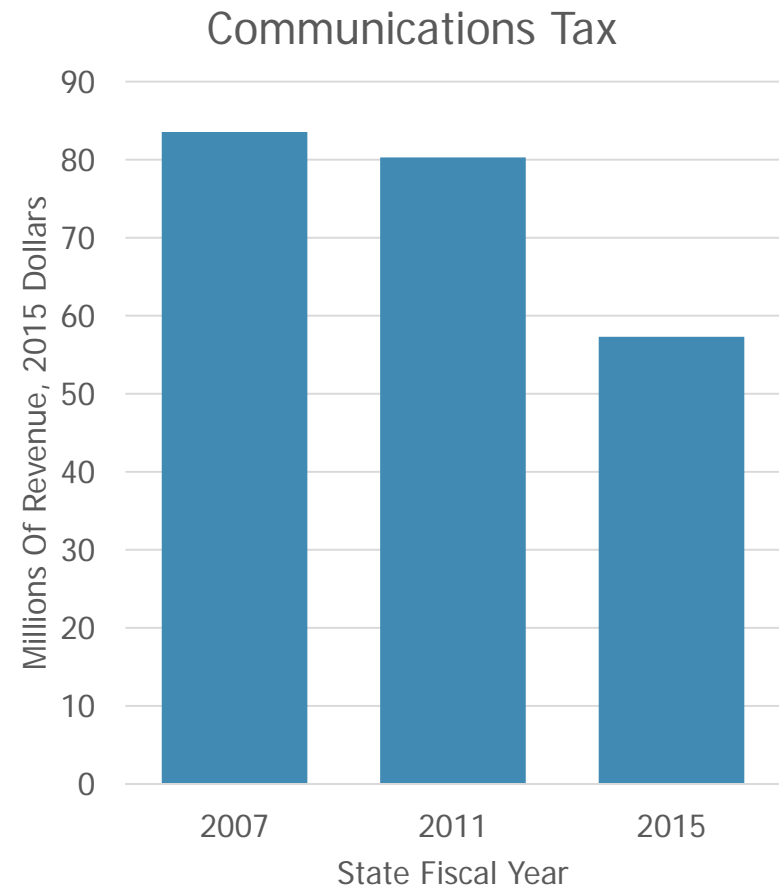
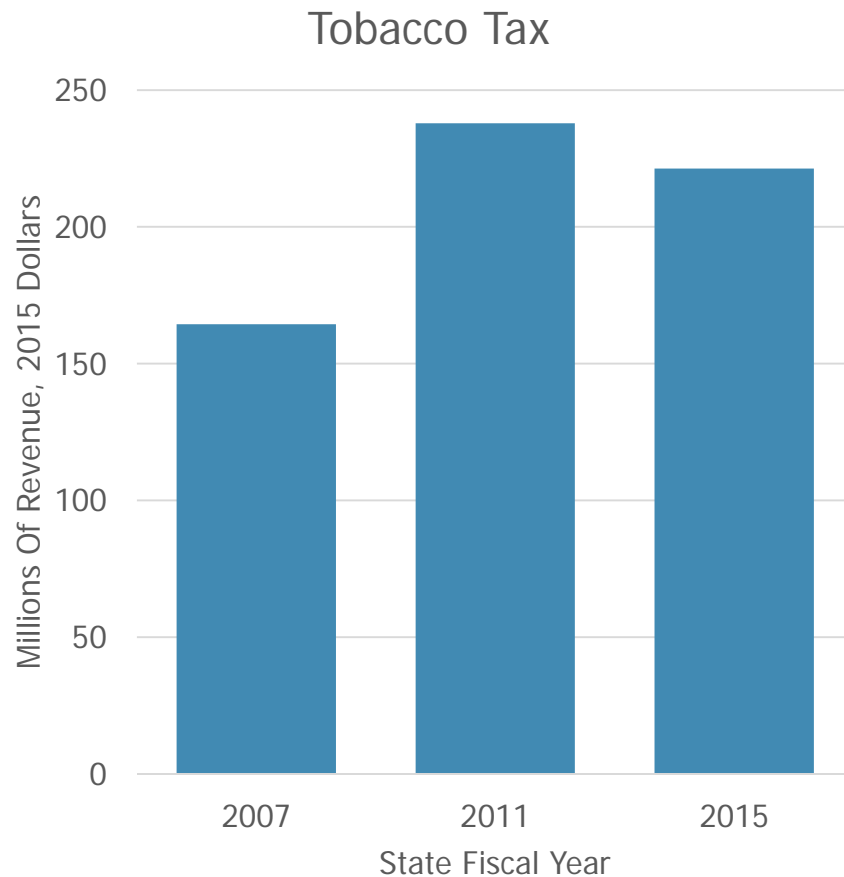


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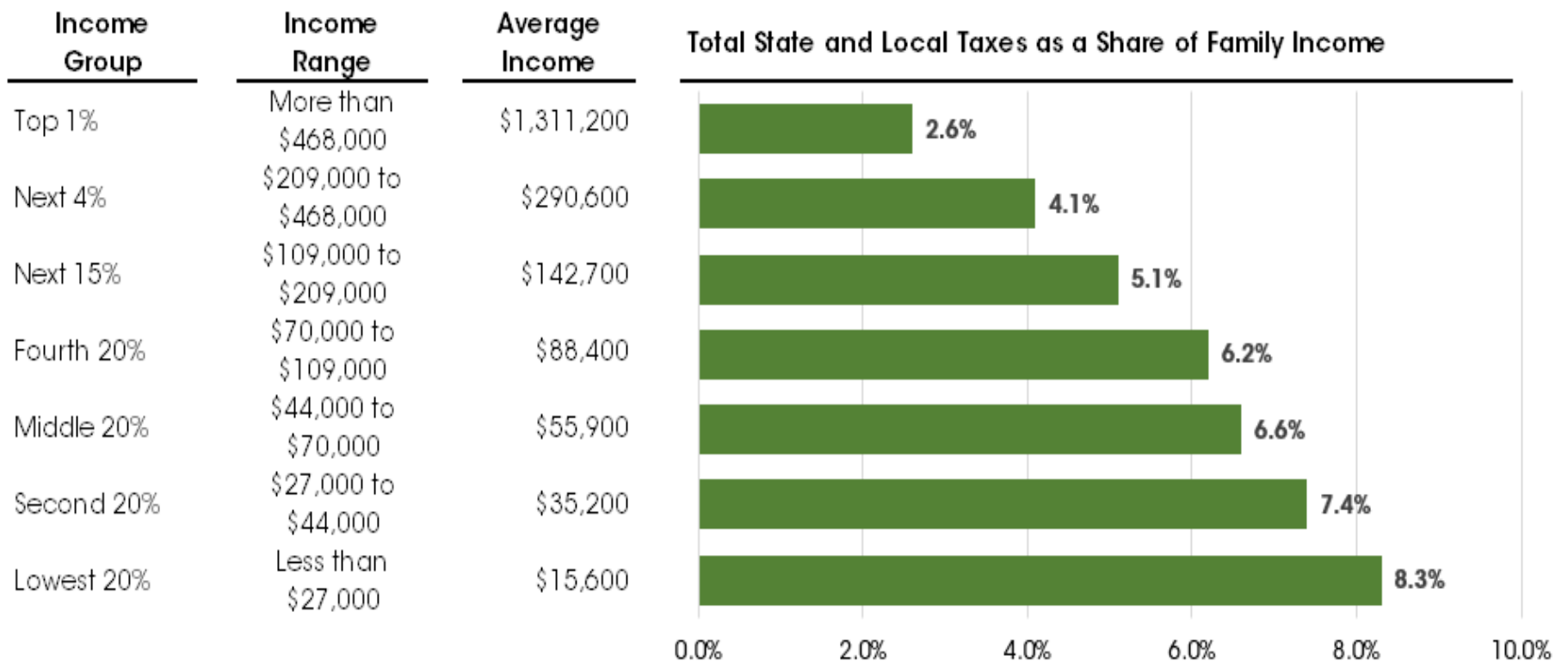


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# State And Local Taxes Have Uneven Impact

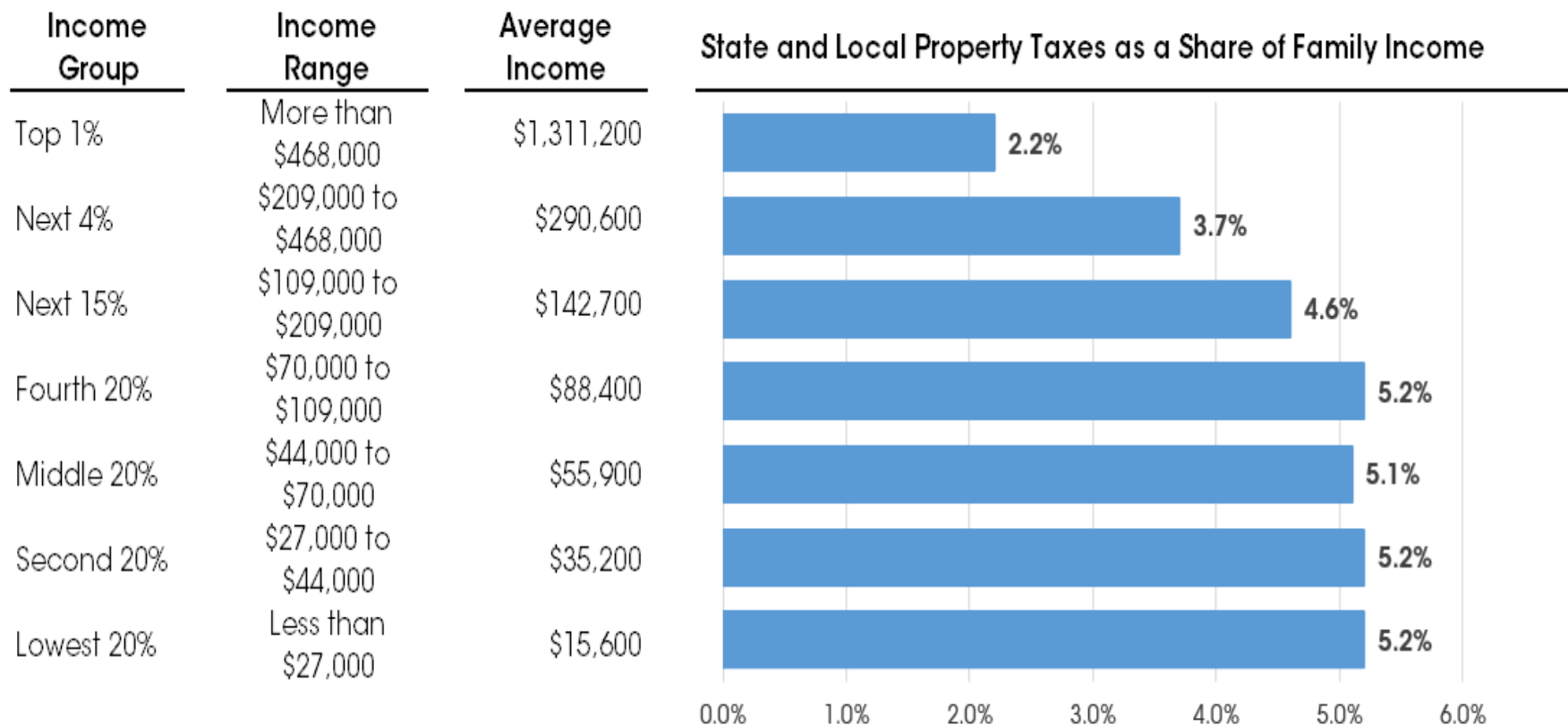
Low-income Granite Staters Have An Effective Tax Rate Higher Than Those From Other Groups, According To This Model

*Total State And Local Taxes In New Hampshire, Non-Elderly Taxpayers, 2015*



# State And Local Property Tax Impact

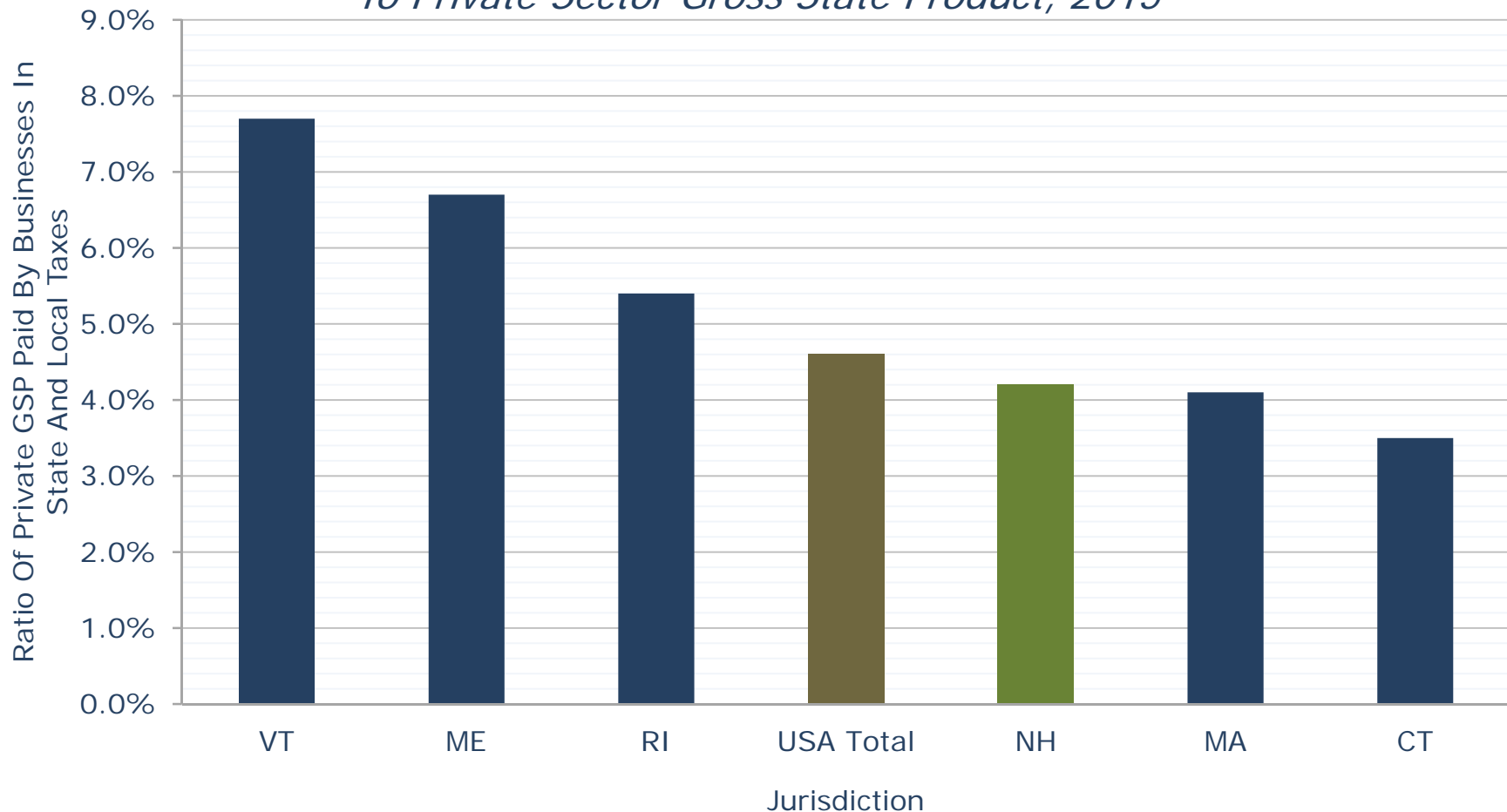
*State and Local Property Taxes in New Hampshire, Non-Elderly Taxpayers, 2015*



# One Measure Of State Business Taxation

New Hampshire Ranks 15<sup>th</sup> Lowest

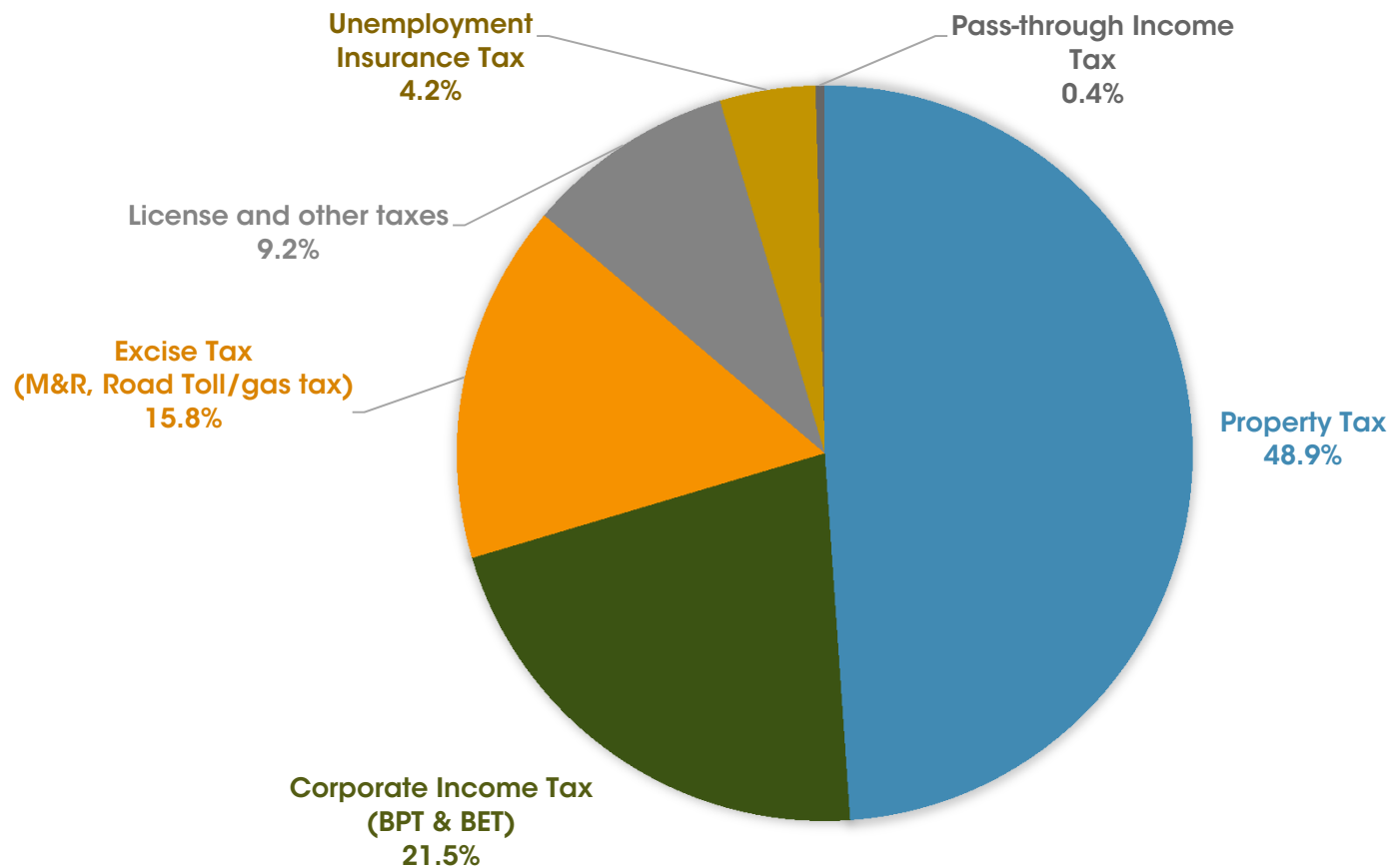
*Ratio Of Total State And Local Taxes Paid By Business  
To Private Sector Gross State Product, 2015*



# State And Local Taxes Paid By Businesses

NH State Business Taxes Are Less Than A Quarter Of All Taxes Paid

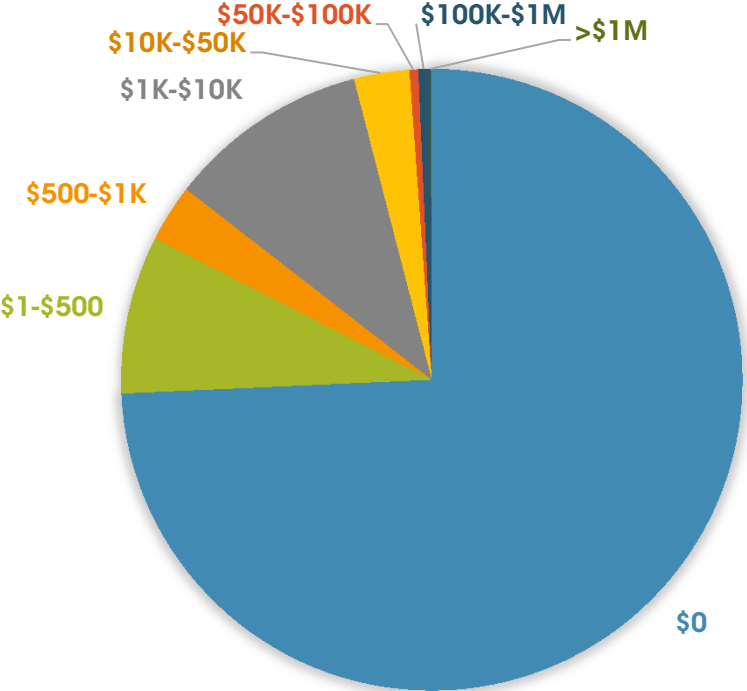
*Fiscal Year 2015*



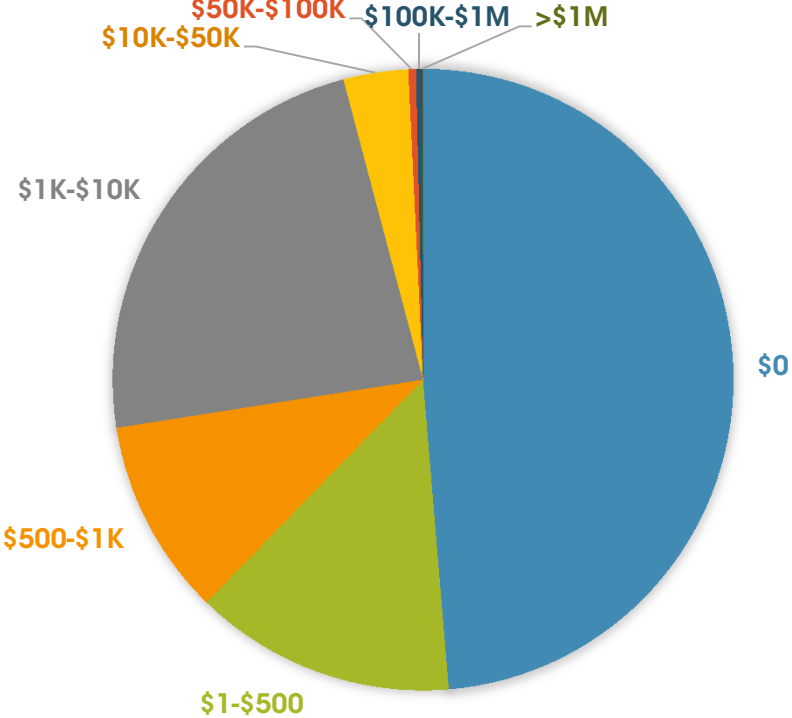
# Business Tax Incidence

Most Businesses Have No BPT Liability, Almost Half Have No BET Liability  
*Number Of Businesses By Liability, Tax Year 2014, DRA Draft Data*

**BPT INCIDENCE BY LIABILITY**



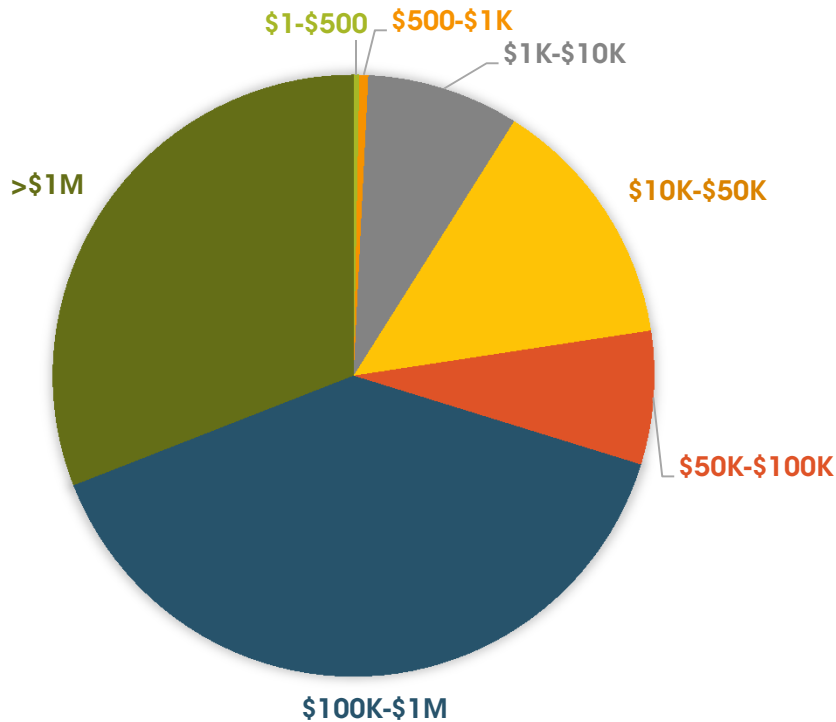
**BET INCIDENCE BY LIABILITY**



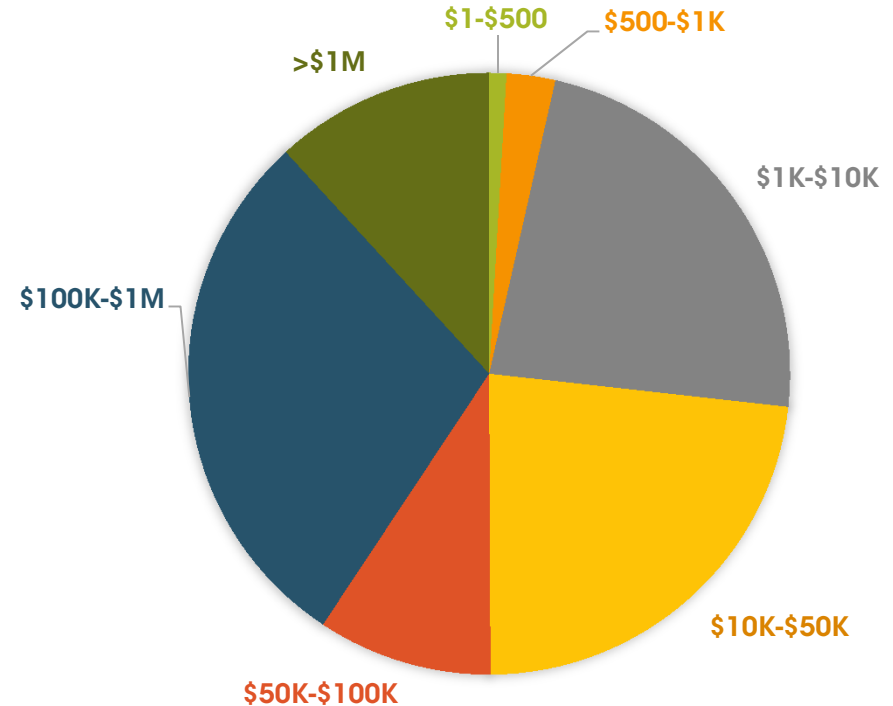
# Business Tax Payments

Largest BPT And BET Liabilities Fall On Few Businesses  
*Tax Revenue By Business Liability, Tax Year 2014, DRA Draft Data*

**BPT PAYMENTS BY LIABILITY**



**BET PAYMENTS BY LIABILITY**



# Selected Recent Tax Law Changes

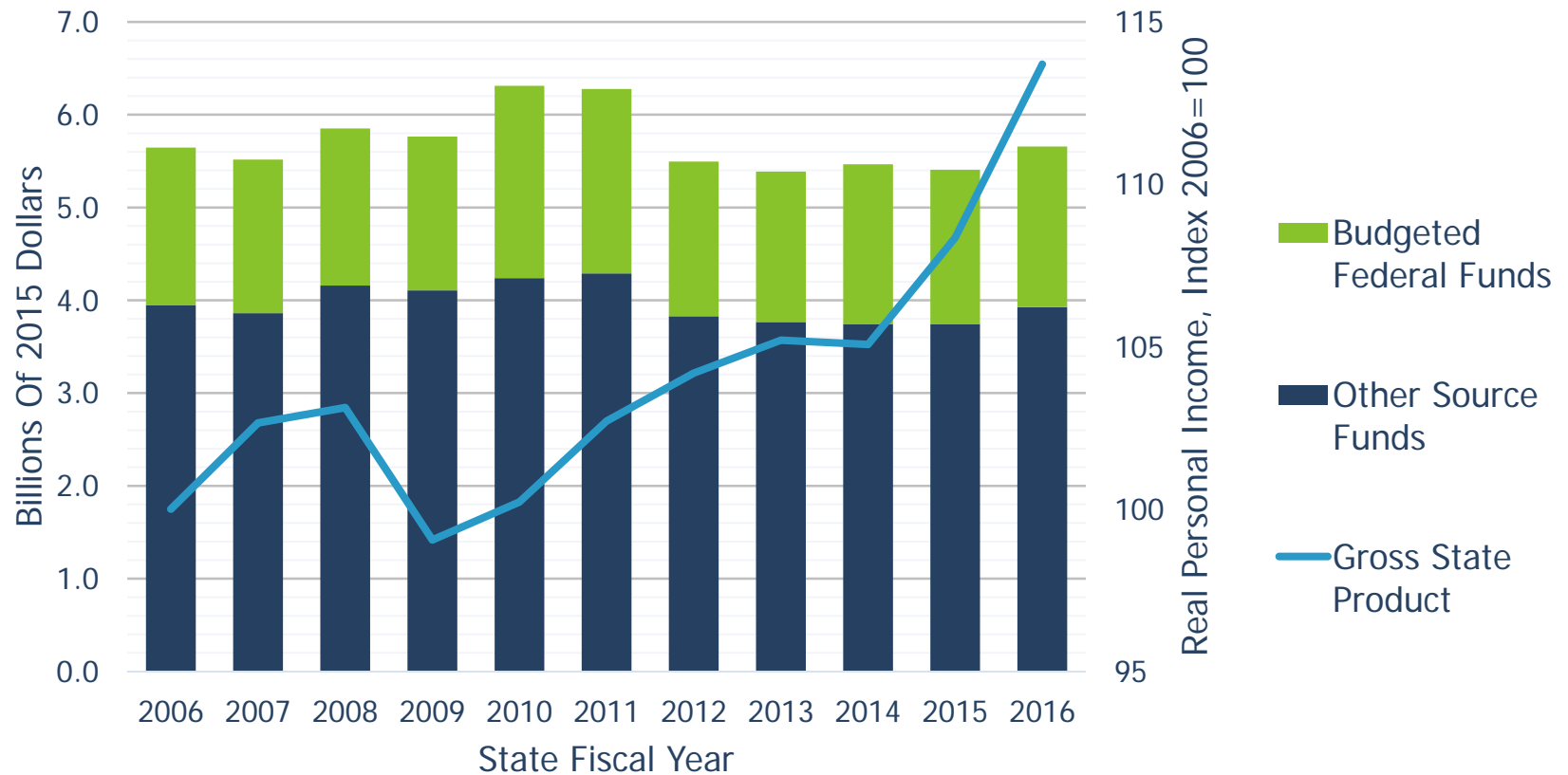
Many Changes, Cuts Muddle Analyses Of Individual Tweaks

Legislation	Change	Eff. Date
HB 187 ('11)	Extend BET carryforwards to ten years	7.1.14
SB 326 ('12)	Exempts trusts from I&D taxation, to beneficiaries	12.31.16
SB 327 ('12)	Economic Revitalization Zone credit	8.15.14
HB 1418 ('12)	Excluded Internet access from CST	6.21.12
SB 211 ('15)	BET employee leasing company elective	7.1.15
SB 9 ('15)	BPT/BET rate reductions, phase-in	12.31.16
HB 2 ('15)	R&D tax credit from \$2 mil to \$7 mil	7.1.17
SB 232 ('15)	Exempts leases for less than 99 years from RETT	7.1.15
SB 239 ('16)	Internal Revenue Code synchronization	1.1.17
SB 342 ('16)	BPT Sales or Exchange additions	1.1.16
HB 1656 ('16)	RETT exemptions for certain entity exchanges	6.21.16



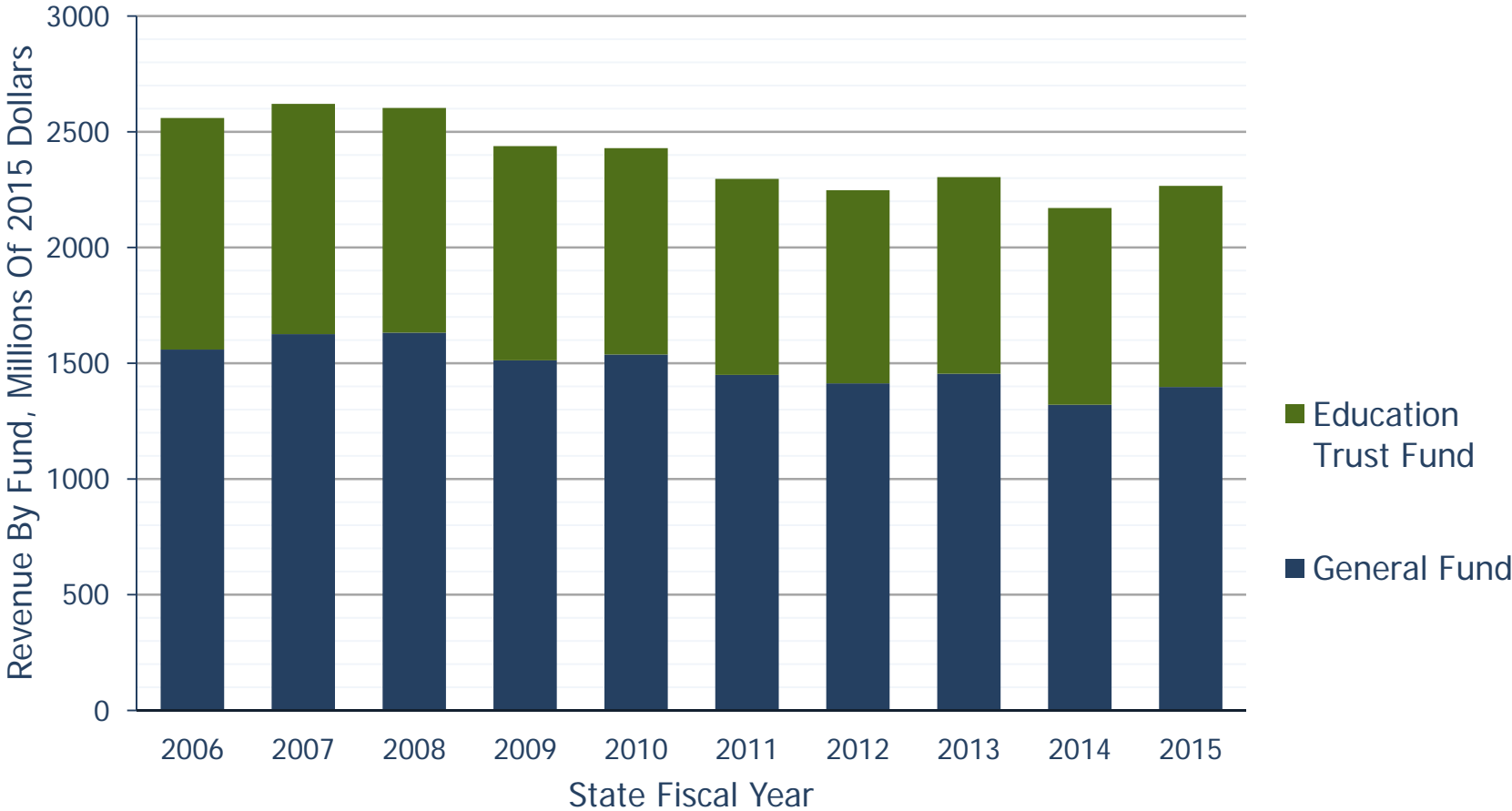
# Economic And Budget Trends

*Inflation-adjusted Budget, Federal Funds And Other Sources, And Gross State Product*



# General And Education Trust Fund Revenue

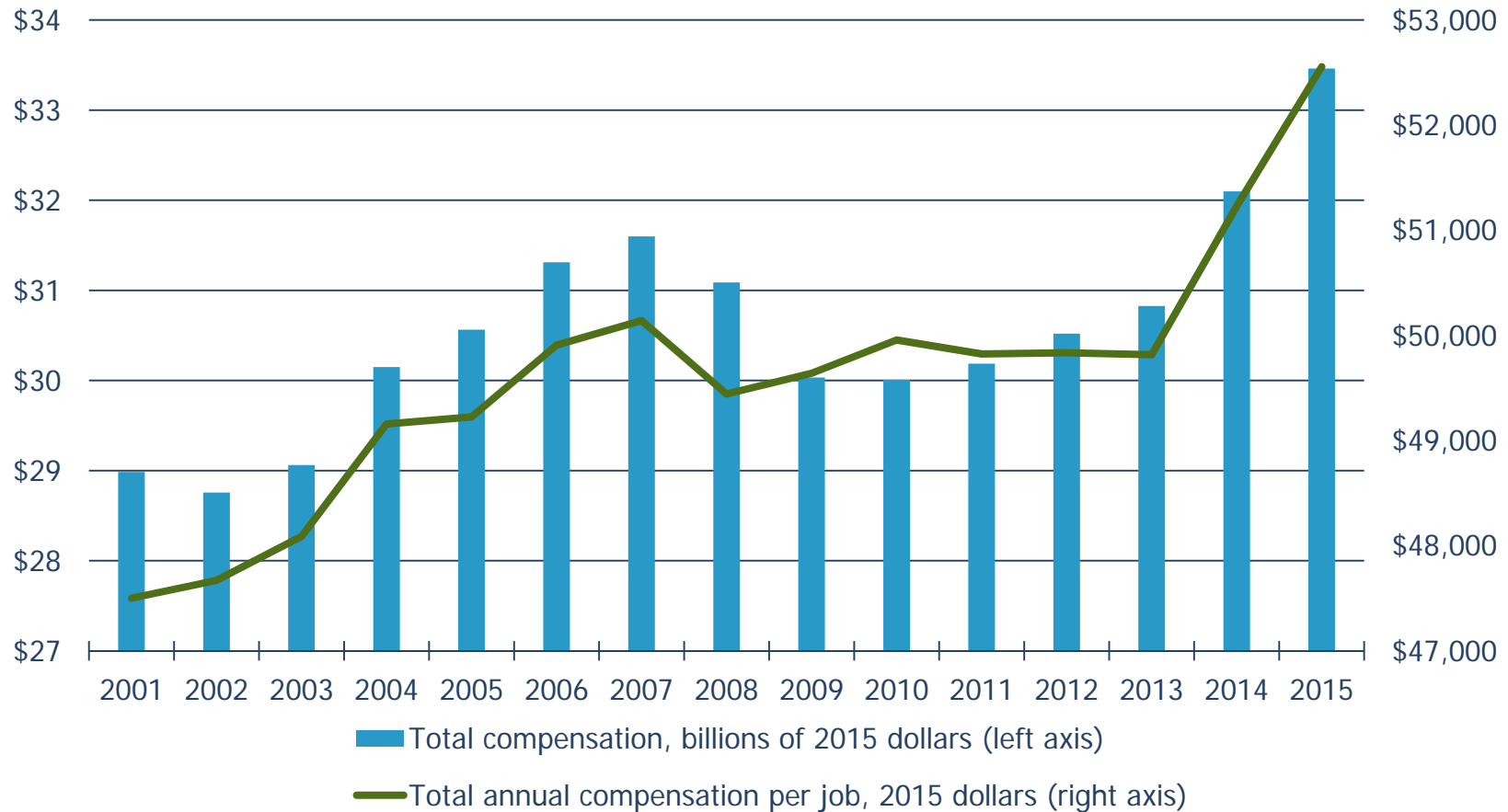
*Inflation-adjusted 2015 Dollars*



## SFY 2018-2019 Economic and Fiscal Orientation

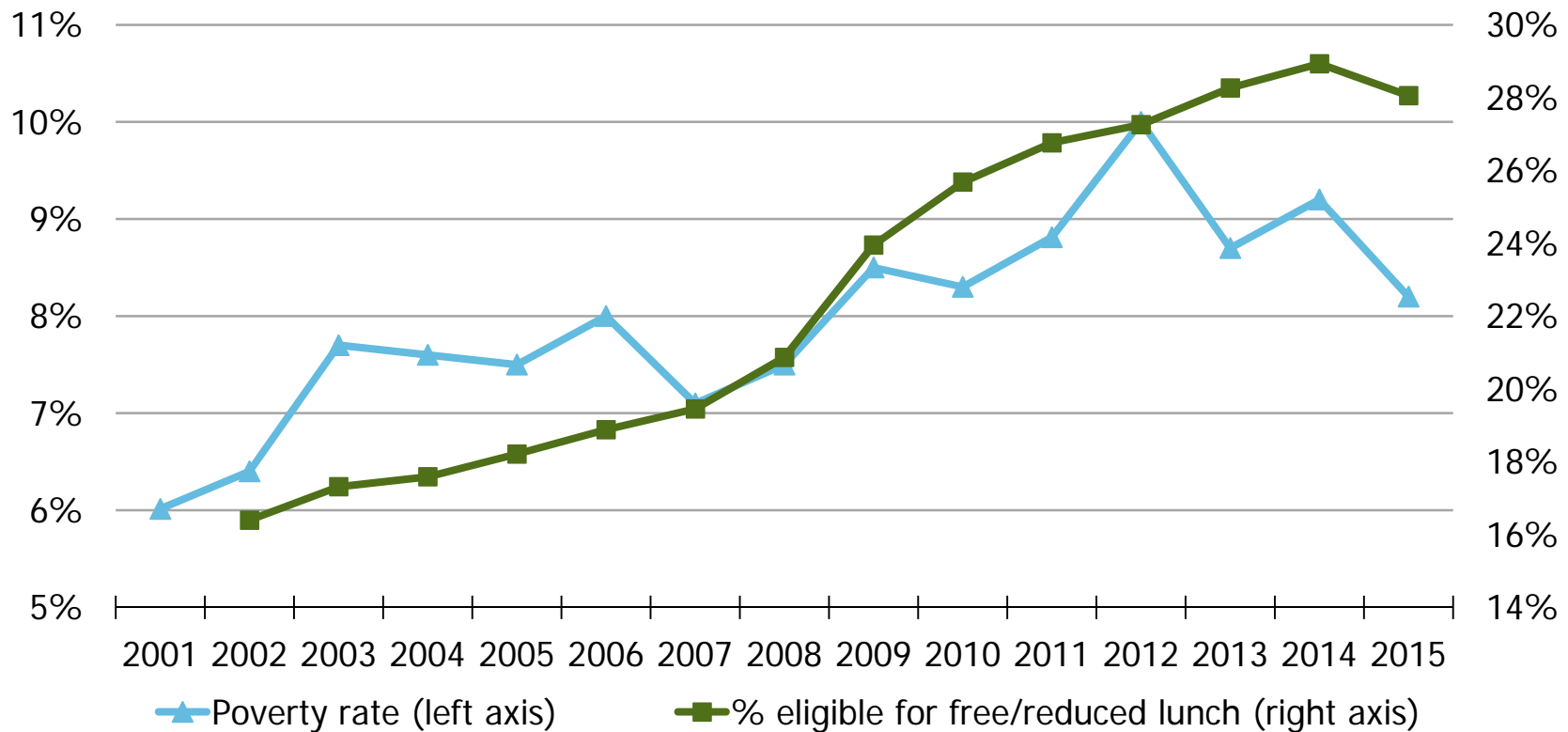
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- **How widespread is economic growth since the Recession?**

# At First Glance, More Income For Workers...



Source: Bureau of Labor Statistics' *Quarterly Census of Employment and Wages*  
 Note: Data adjusted for inflation via the Bureau of Labor Statistics' CPI-U-RS inflation index

## ...Yet, More Granite Staters Struggle To Make Ends Meet



Note: Public school enrollment and free/reduced lunch eligible count includes children in grades 1 through 12 only.

Source: U.S. Census Bureau, New Hampshire Department of Education

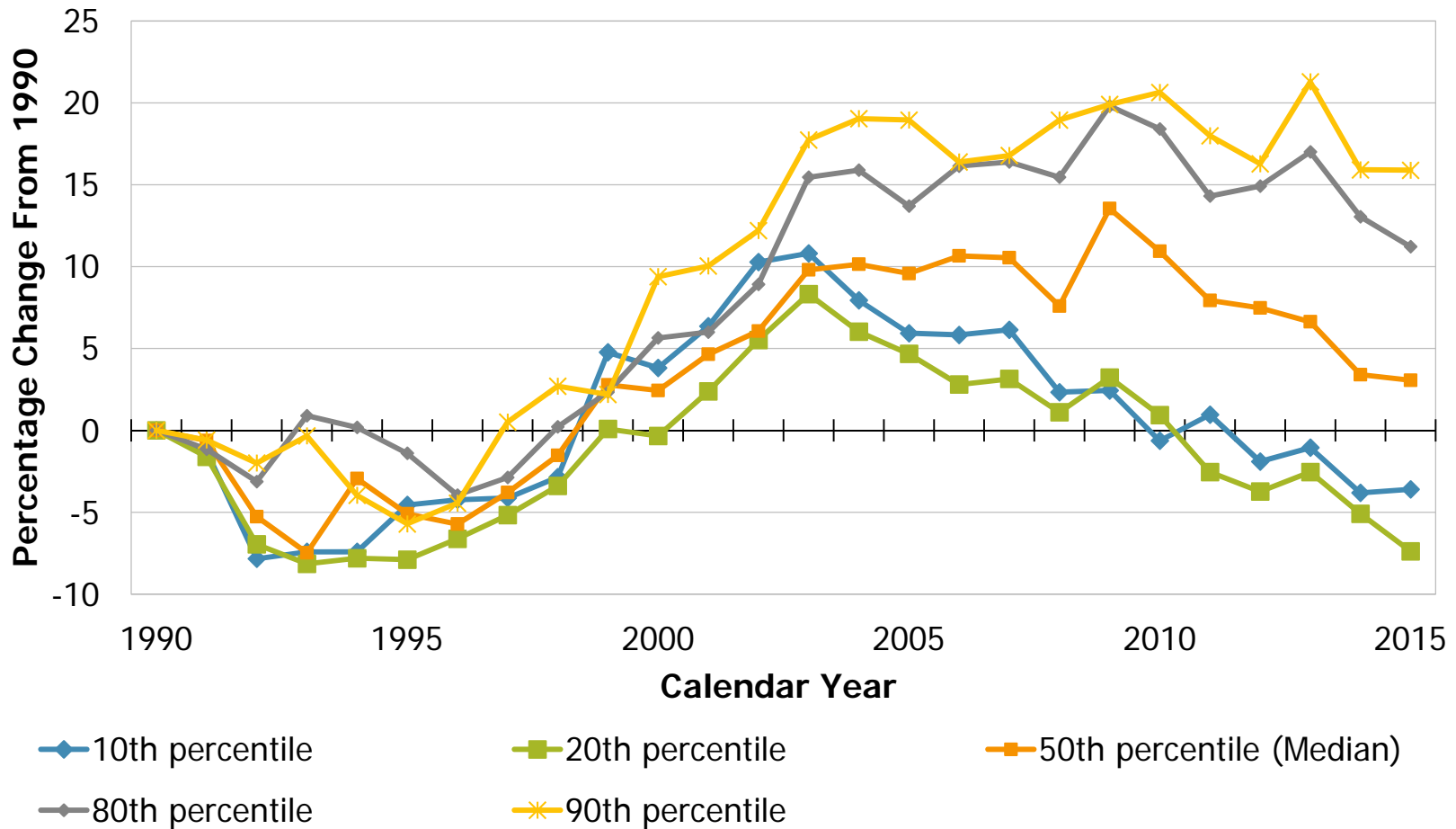
# Poverty Threshold Represents Very Low Income

*Select Federal Poverty Thresholds, 2015*

Household Type	Poverty Threshold
Single person, under age 65	\$12,331
Single person, aged 65 and over	\$11,367
Couple under age 65	\$15,952
Couple aged 65 and older	\$14,342
Single person under 65 with one child	\$16,337
Couple with one child	\$19,078
Single person with two children	\$19,096
Couple with two children	\$24,036

# Uneven Wage Growth In NH Since 1990

*Cumulative Real Changes In Hourly Wages By Selected Percentile*





*economic opportunity, prosperity, and security for all New Hampshire residents*

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