

# New Hampshire Revenue Sources and Recent Trends

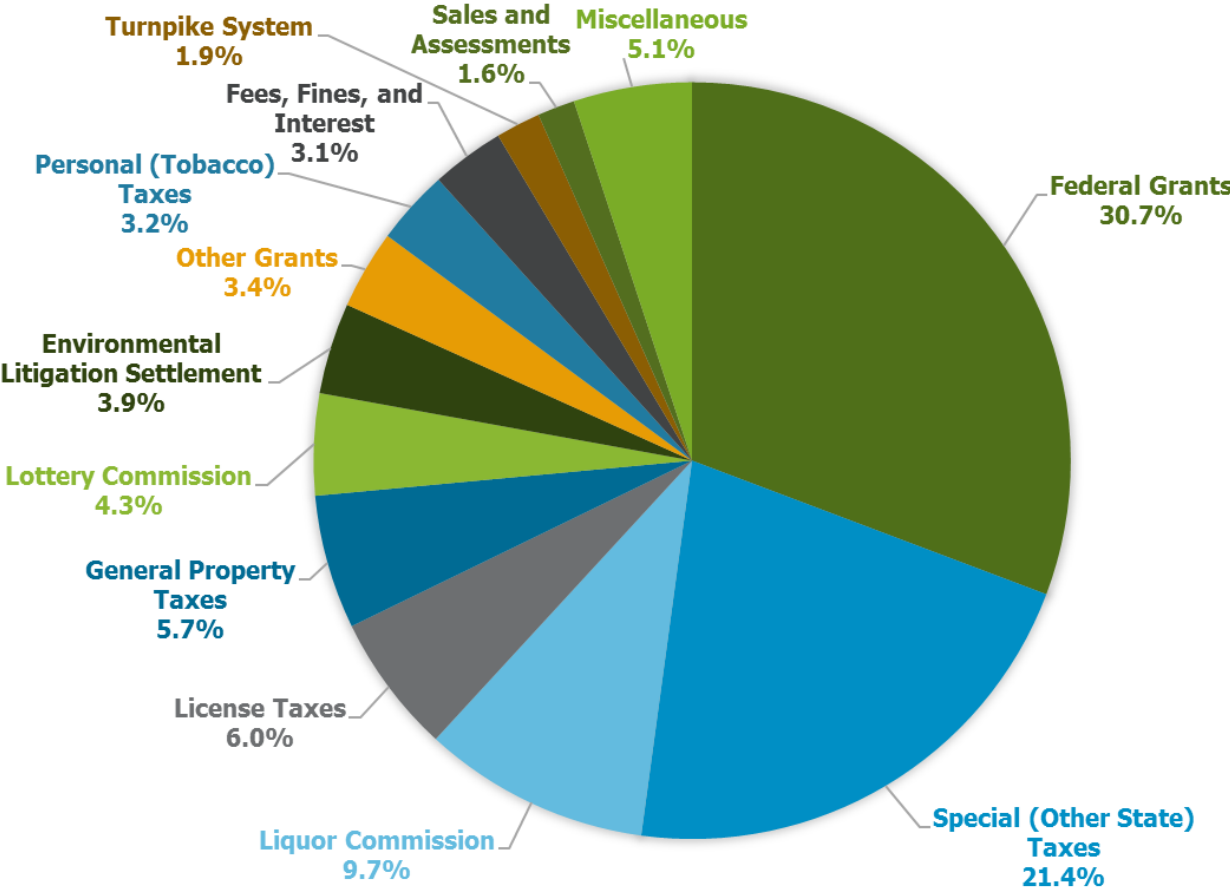
*Presented by Phil Sletten, Policy Analyst*

New Hampshire House of Representatives  
Ways and Means Committee  
January 15, 2019

# Context for New Hampshire Revenue System

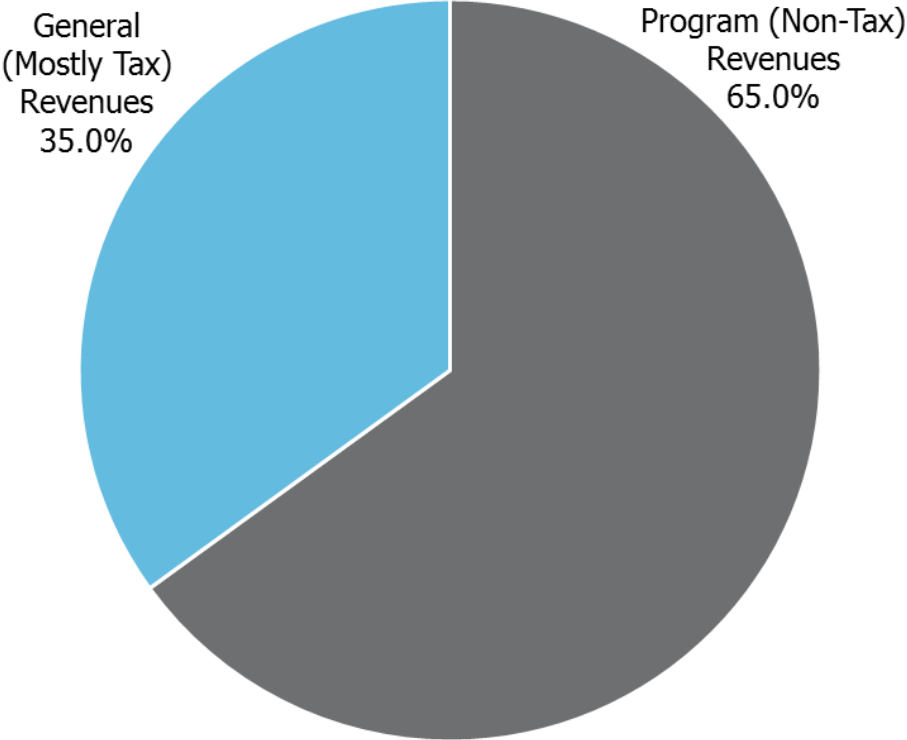
## Governmental and Enterprise Funds Revenues

Source: Comprehensive Annual Financial Report, State Fiscal Year 2016  
 Note: Certain Categories Combined, Summary Titles Provided Here



## General and Program Revenues

New Hampshire, State Fiscal Year (SFY) 2018  
 Source: NH Comprehensive Annual Financial Report, SFY 2018

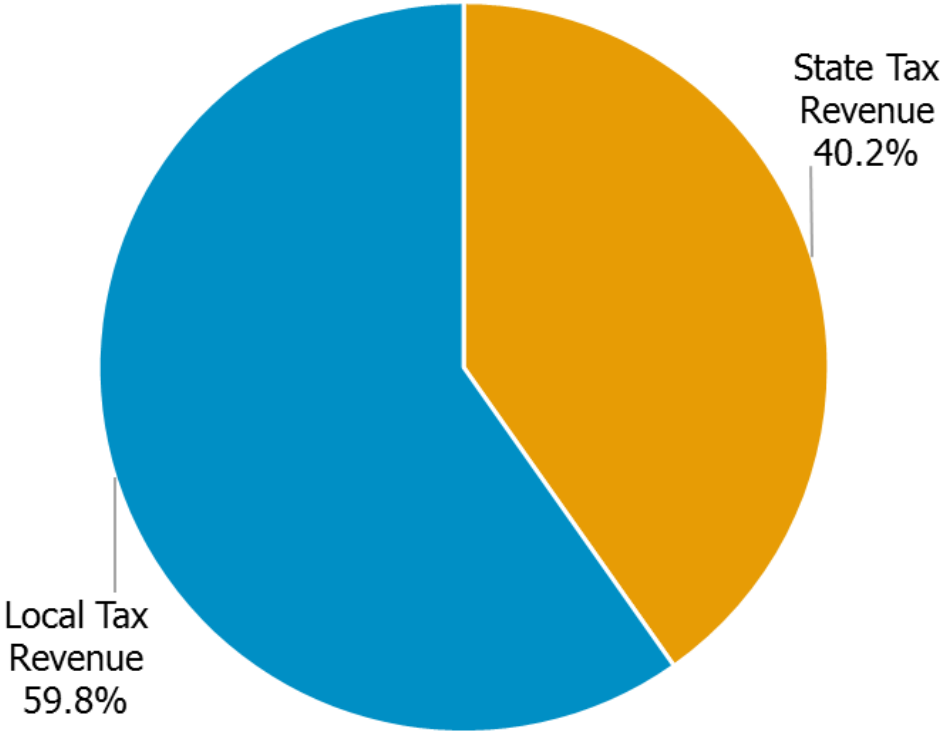


# Context for New Hampshire Revenue System

## New Hampshire Tax Revenue

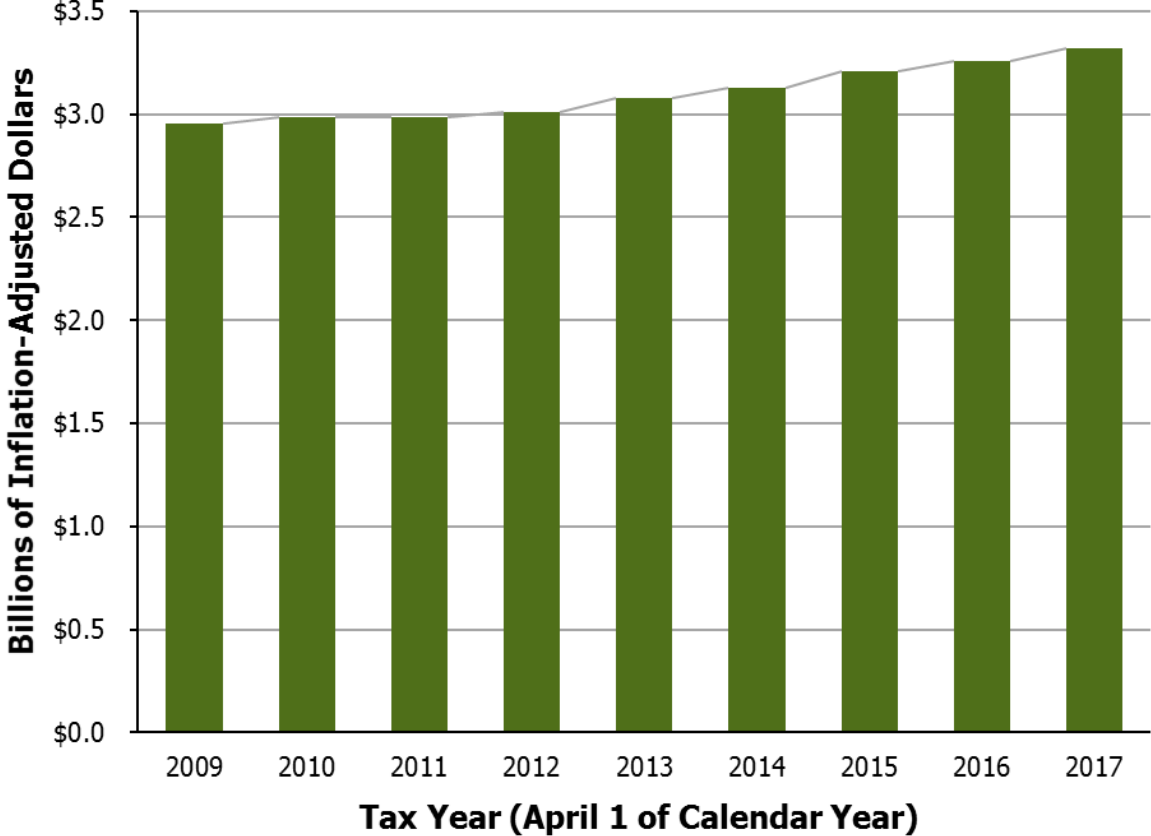
*By Level of Government, Fiscal Year 2015*

Source: U.S. Census Bureau, 2015 Annual Surveys of State and Local Government Finances



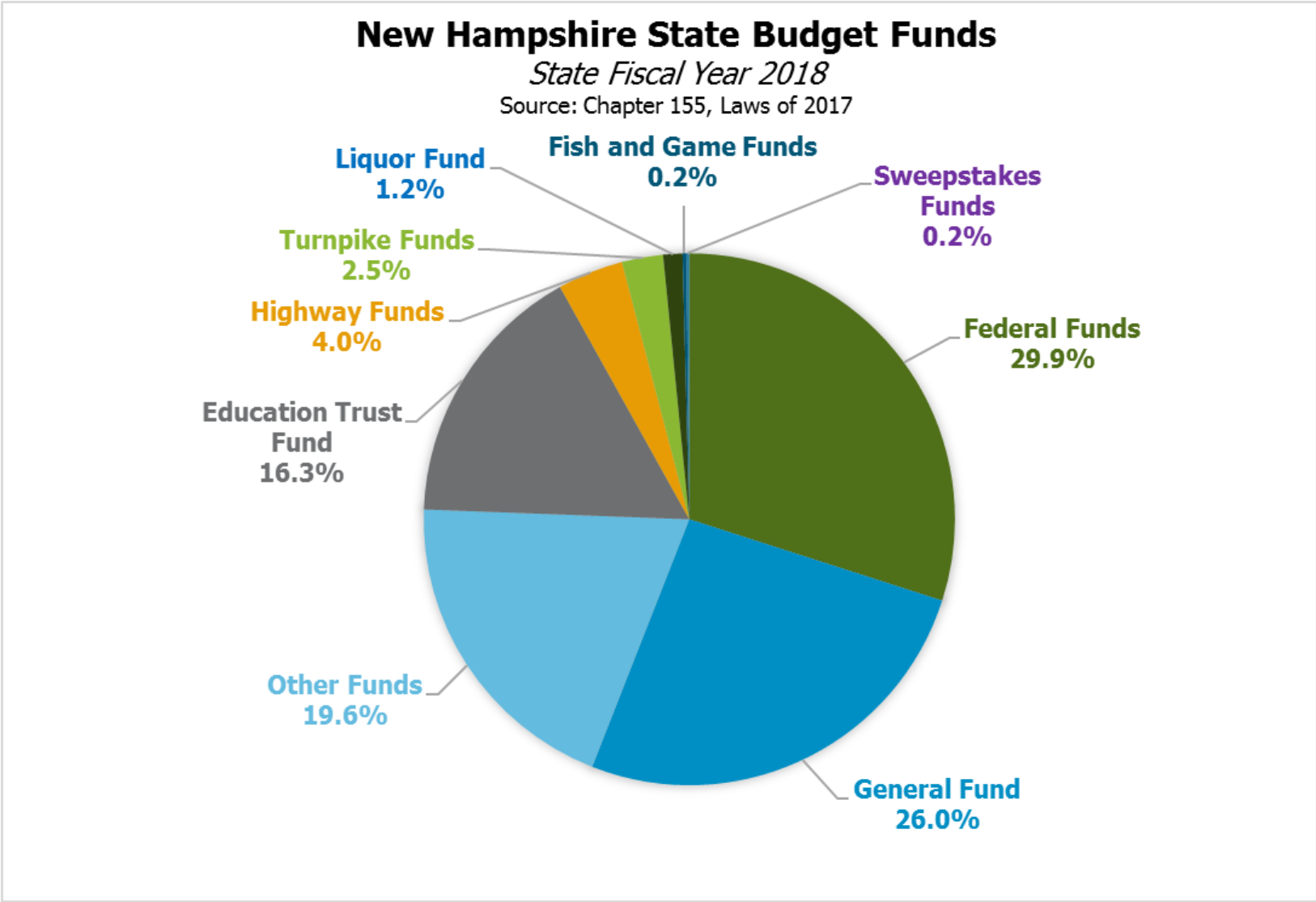
## New Hampshire Total Local Property Tax Commitment

*Tax Year, Inflation-Adjusted Dollars*



Note: Inflation-adjustment based on the second half of same numbered calendar year  
 Sources: NH Department of Revenue Administration;  
 U.S. Bureau of Labor Statistics Consumer Price Index-Urban, Northeast

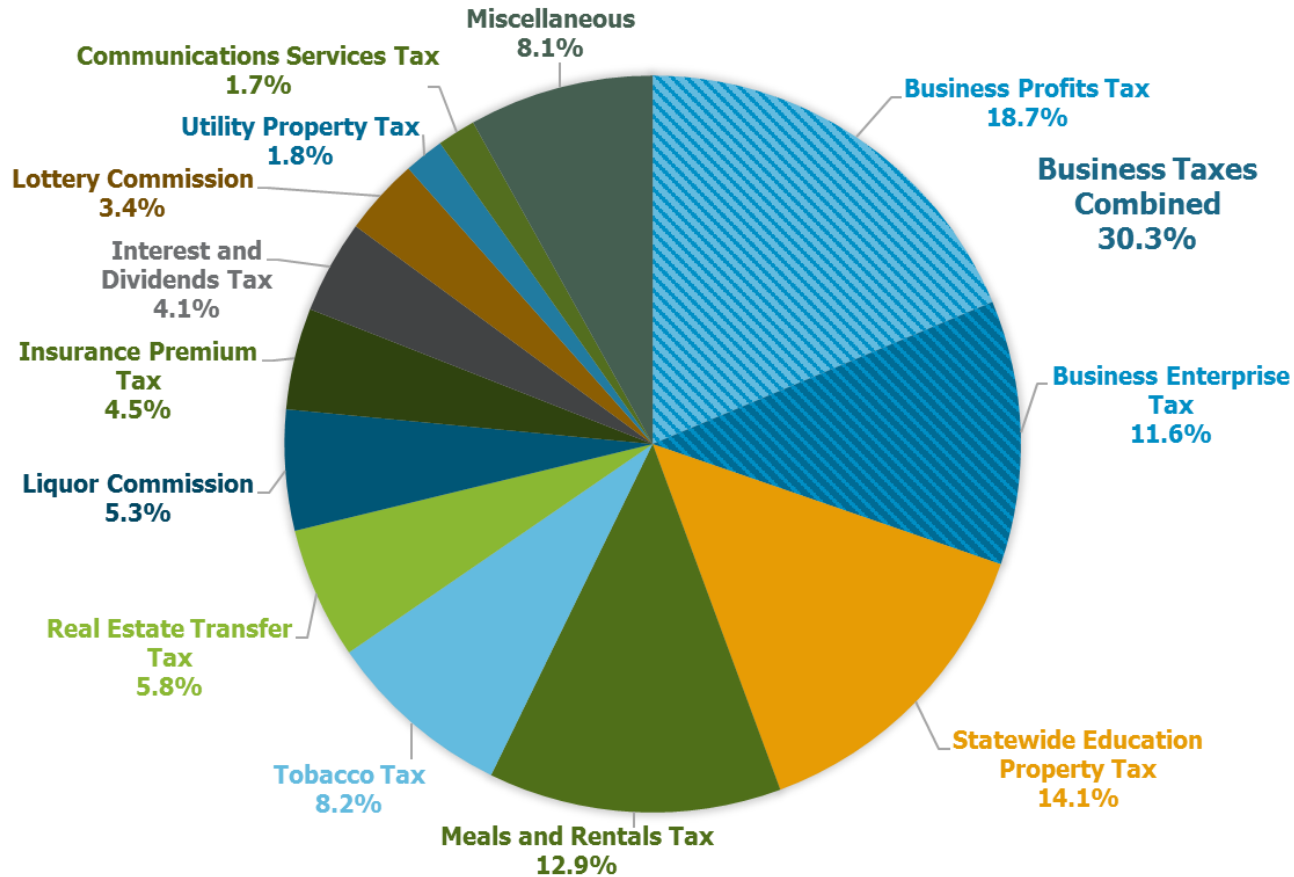
# State Budget Funds



# General and Education Trust Funds

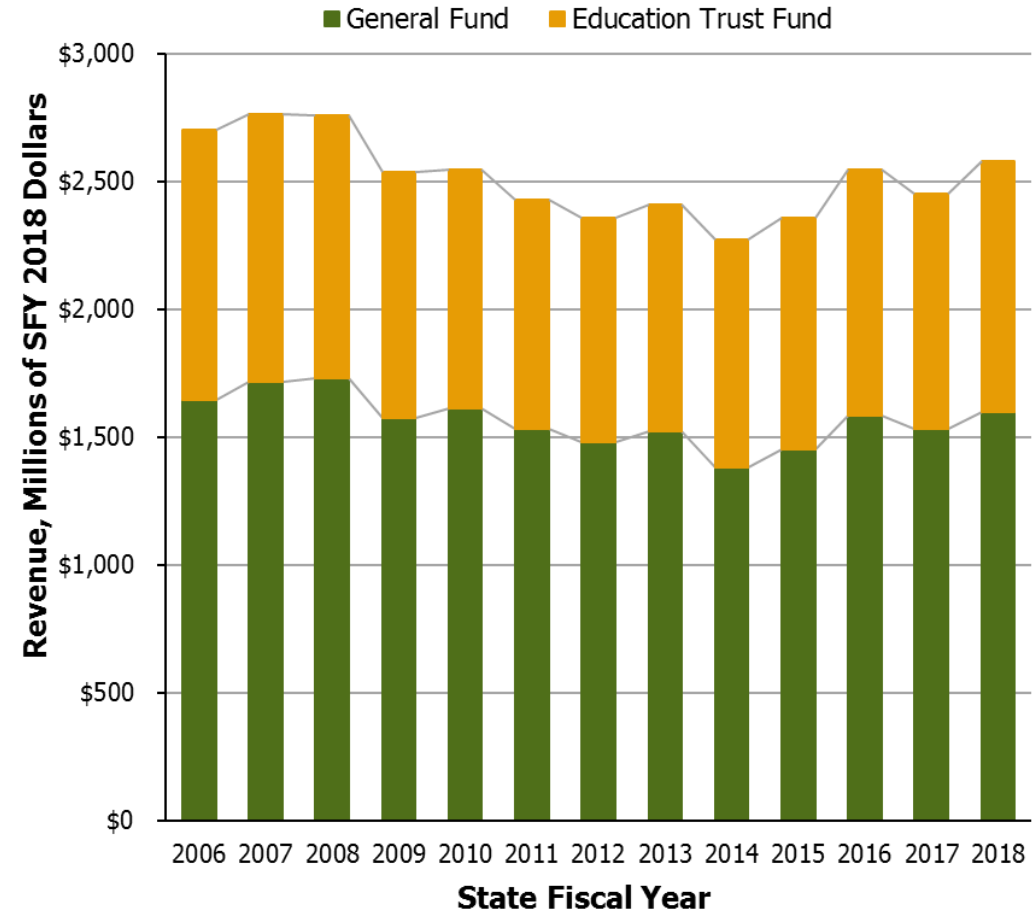
## General and Education Trust Fund Revenue, State Fiscal Year 2018

Source: New Hampshire Comprehensive Annual Financial Report, SFY 2018



## General and Education Trust Fund Revenue

*New Hampshire Funds by Year, Inflation-Adjusted dollars*

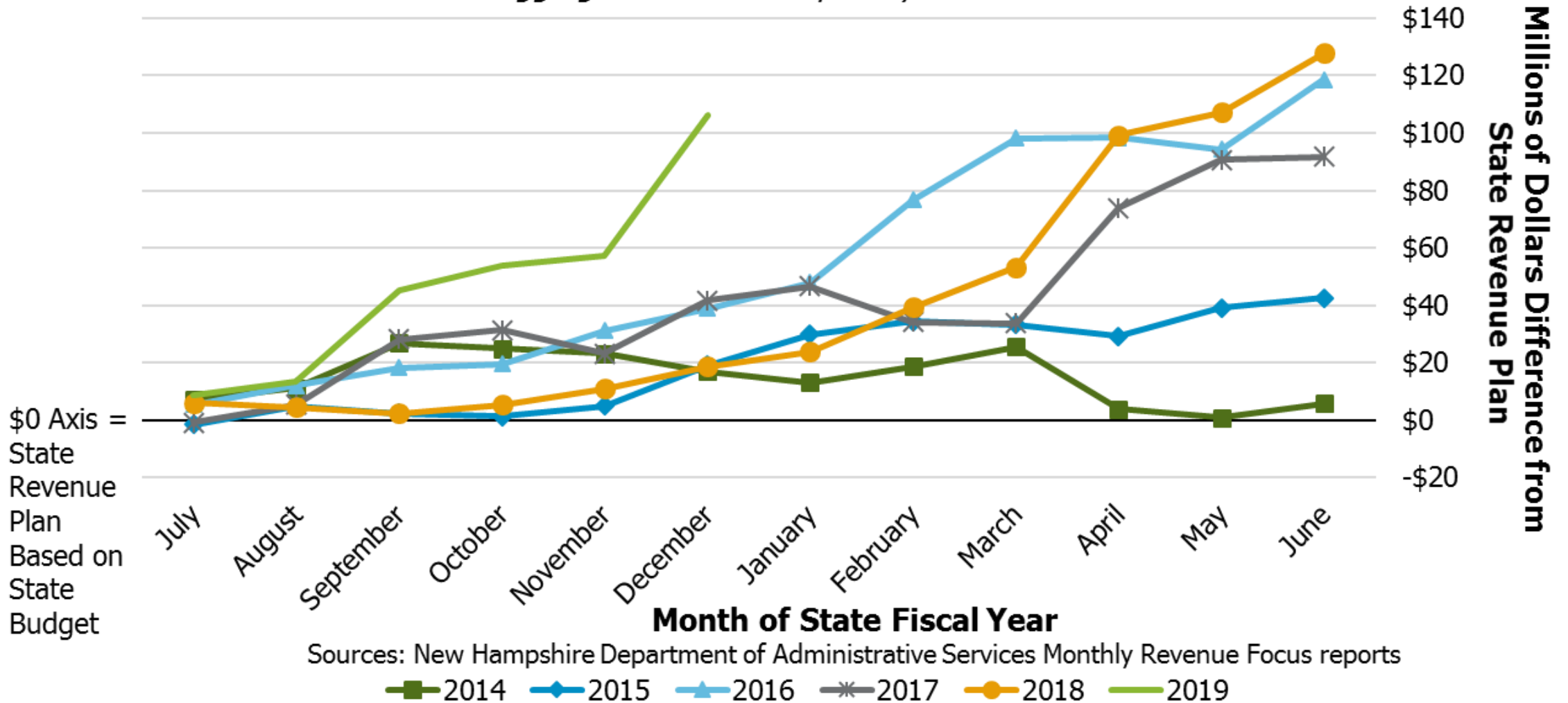


Sources: New Hampshire Comprehensive Annual Financial Reports; U.S. Bureau of Labor Statistics Consumer Price Index-Urban, Northeast

# Funds Relative to Budget Plan

## General and Education Trust Fund Revenue Surplus

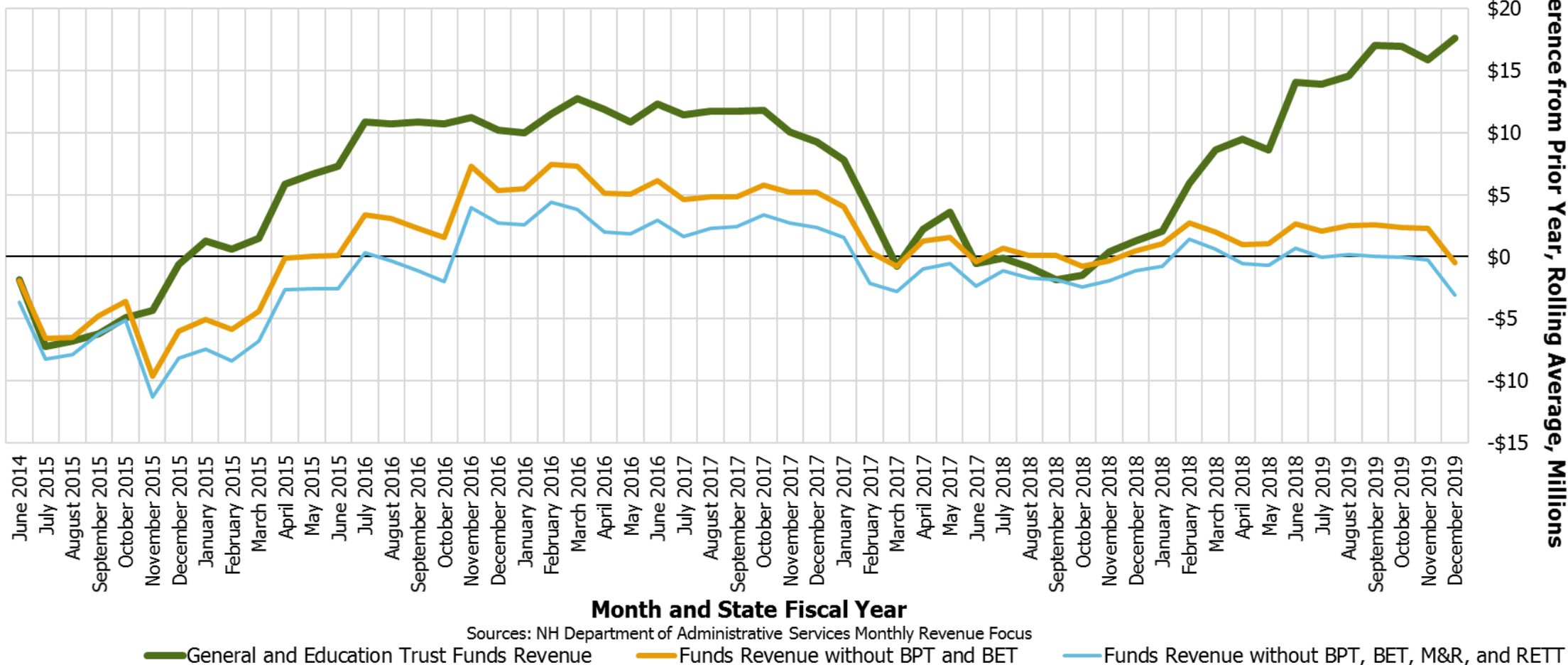
*Unaudited Cash Basis Aggregate Revenue Surplus by Month for Each State Fiscal Year*



# Trends in Revenue Sources

## Differences in General and Education Trust Funds Monthly Cash Receipts

Twelve-Month Rolling Averages of Monthly Cash Receipts to the General and Education Trust Funds Relative to Prior Year from All Sources; Less Business Taxes; and Less Business, Real Estate Transfer, and Meals and Rentals Taxes



Sources: NH Department of Administrative Services Monthly Revenue Focus

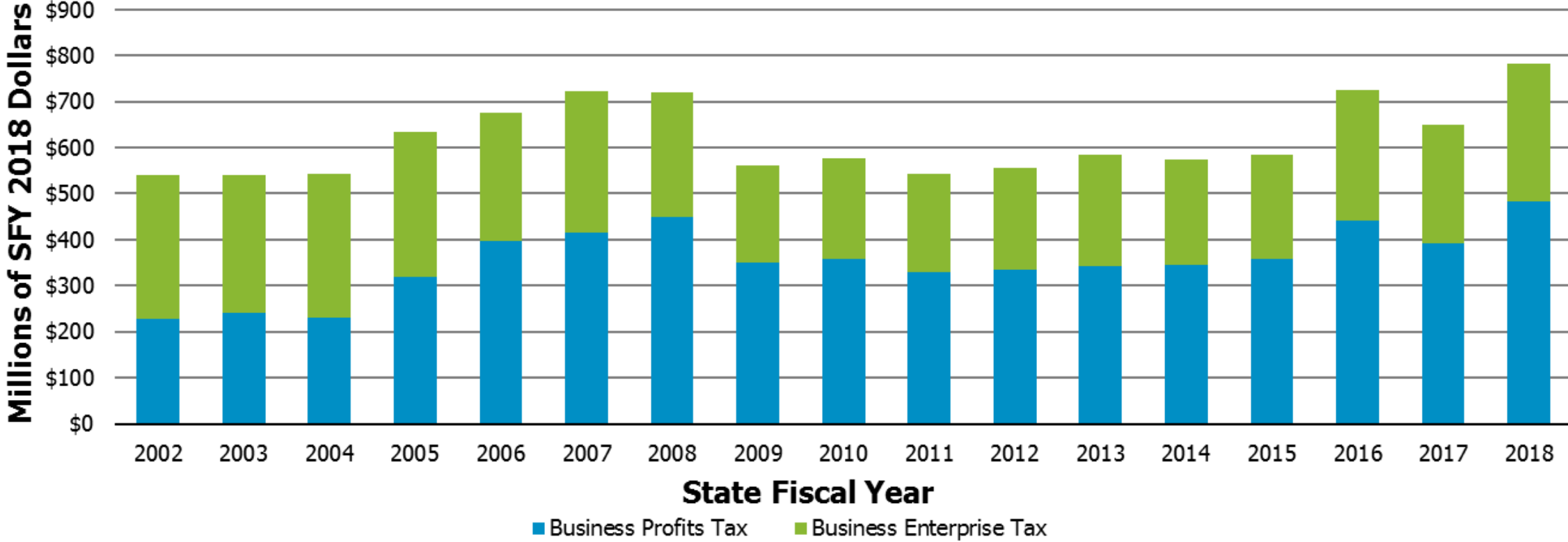
— General and Education Trust Funds Revenue    — Funds Revenue without BPT and BET    — Funds Revenue without BPT, BET, M&R, and RETT

# The Two Primary Business Taxes

## Business Profits Tax and Business Enterprise Tax

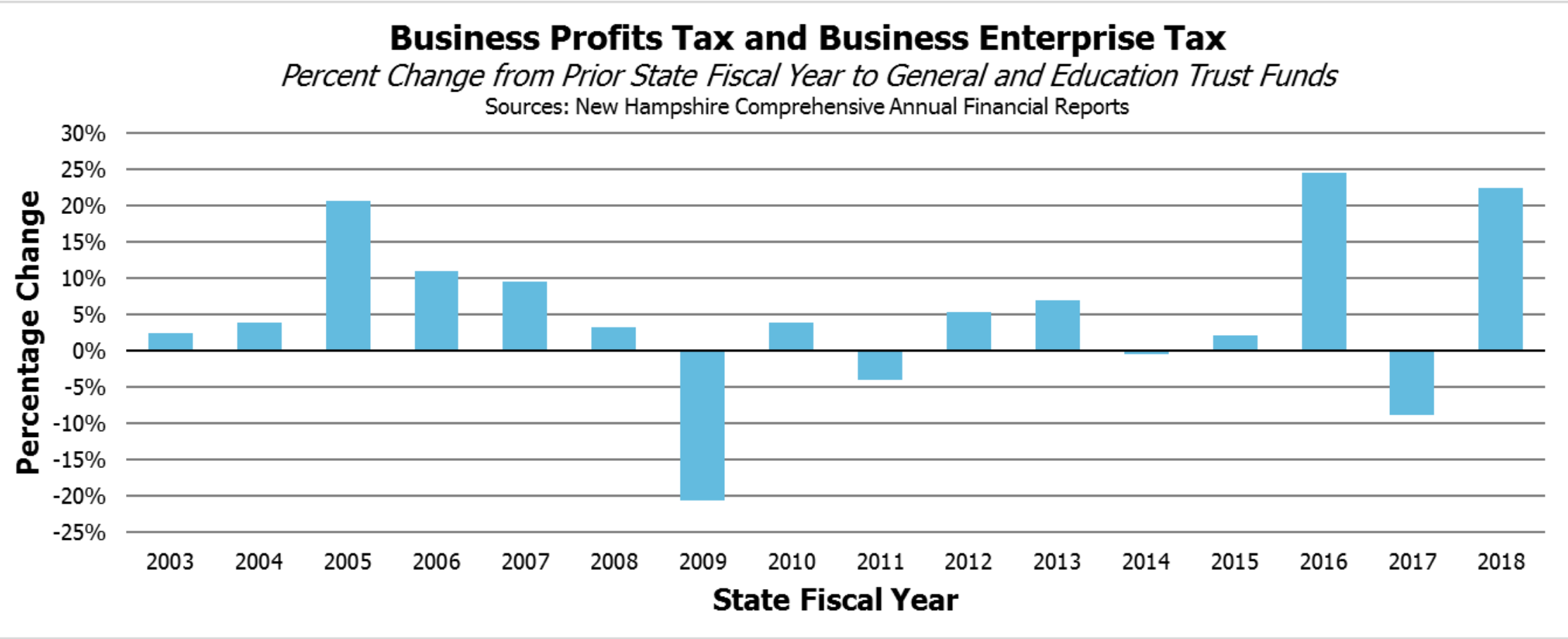
*New Hampshire General and Education Trust Fund Inflation-Adjusted Revenue*

Sources: NH Comprehensive Annual Financial Reports; U.S. Bureau of Labor Statistics, CPI-U, Northeast





# The Two Primary Business Taxes



## Business Profits Tax Incidence

Tax Year 2016 - Filing Businesses

Tax Paid	Number of Businesses by Tax Paid	Percent of Businesses by Tax Paid	Cumulative Number of Businesses by Tax Paid	Cumulative Percent of Business by Tax Paid	Revenue by Amount of Tax Paid	Percent of Revenue by Tax Paid	Cumulative Percent of Revenue by Tax Paid
\$0	55,624	76.8%	72,400	100.0%	\$0	0.0%	100.0%
\$1-\$500	4,951	6.8%	16,776	23.2%	\$805,516	0.2%	100.0%
\$500-\$1K	1,782	2.5%	11,825	16.3%	\$1,292,515	0.4%	99.8%
\$1K-\$10K	6,907	9.5%	10,043	13.9%	\$25,824,645	7.3%	99.4%
\$10K-\$50K	2,210	3.1%	3,136	4.3%	\$46,691,247	13.1%	92.1%
\$50K-\$100K	389	0.5%	926	1.3%	\$27,248,282	7.7%	79.0%
\$100K-\$1M	490	0.7%	537	0.7%	\$139,337,740	39.2%	71.3%
>\$1M	47	0.1%	47	0.1%	\$113,872,244	32.1%	32.1%
<b>Totals</b>	<b>72,400</b>	<b>100.0%</b>			<b>\$355,072,189</b>	<b>100.0%</b>	

Source: New Hampshire Department of Revenue Administration 2018 Annual Report - Draft Data

## Business Enterprise Tax Incidence

Tax Year 2016 - Filing Businesses

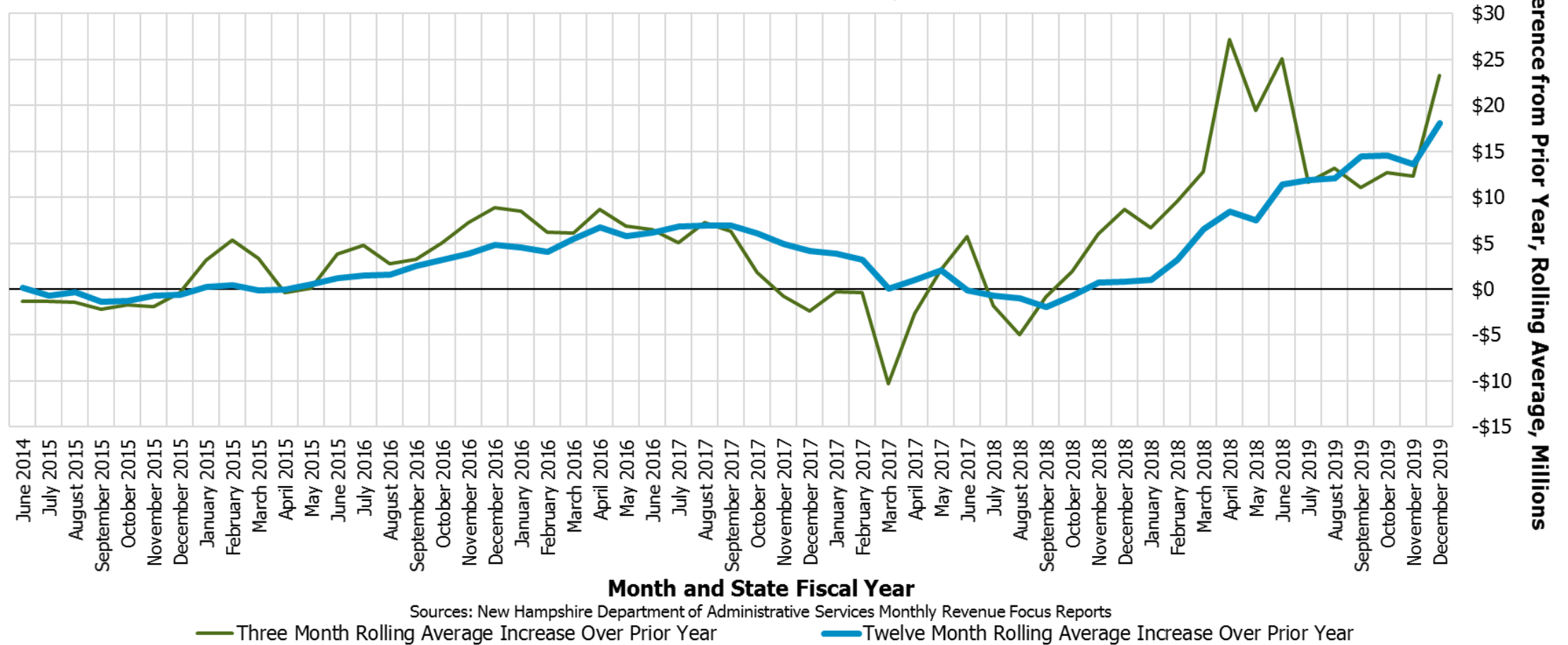
Tax Paid	Number of Businesses by Tax Paid	Percent of Businesses by Tax Paid	Cumulative Number of Businesses by Tax Paid	Cumulative Percent of Business by Tax Paid	Revenue by Amount of Tax Paid	Percent of Revenue by Tax Paid	Cumulative Percent of Revenue by Tax Paid
\$0	35,286	48.7%	72,400	100.0%	\$0	0.0%	100.0%
\$1-\$500	9,778	13.5%	37,114	51.3%	\$1,922,074	0.9%	100.0%
\$500-\$1K	7,358	10.2%	27,336	37.8%	\$5,515,881	2.5%	99.1%
\$1K-\$10K	17,016	23.5%	19,978	27.6%	\$50,690,443	23.1%	96.6%
\$10K-\$50K	2,381	3.3%	2,962	4.1%	\$48,256,263	22.0%	73.5%
\$50K-\$100K	320	0.4%	581	0.8%	\$22,320,038	10.2%	51.4%
\$100K-\$1M	248	0.3%	261	0.4%	\$61,150,040	27.9%	41.3%
>\$1M	13	0.0%	13	0.0%	\$29,245,803	13.3%	13.3%
<b>Totals</b>	<b>72,400</b>	<b>100.0%</b>			<b>\$219,100,542</b>	<b>100.0%</b>	

Source: New Hampshire Department of Revenue Administration 2018 Annual Report - Draft Data

# Abnormal Behavior in Business Taxes Continues

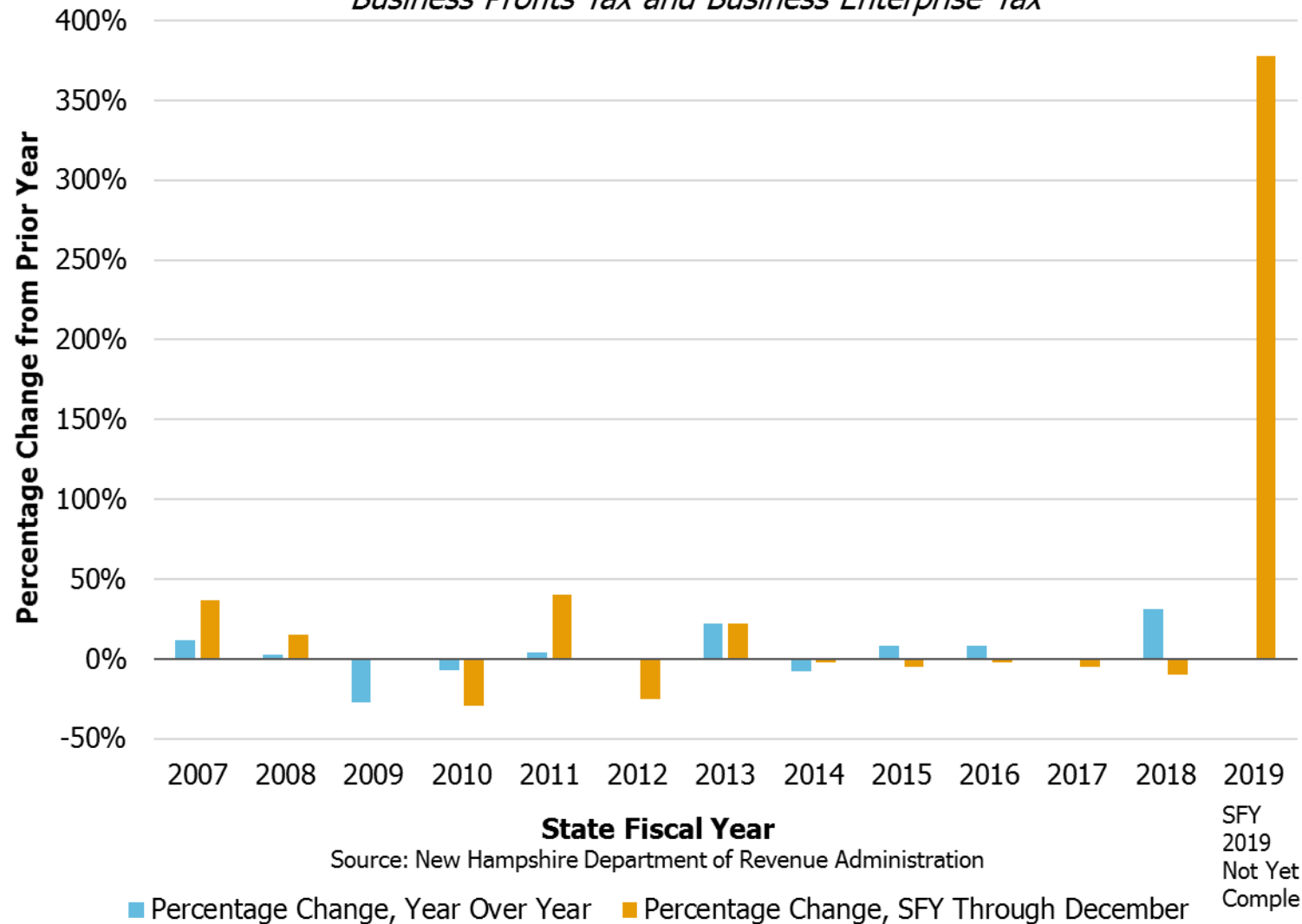
## Average Differences in Business Tax Monthly Cash Receipts

*Averages of Monthly Cash Receipts to the General and Education Trust Funds Relative to Prior Year from the Business Profits and Business Enterprise Taxes*



## Extension Revenue Percentage Changes, Annual and Through December

*Cash Basis, Reported at Month End,  
Business Profits Tax and Business Enterprise Tax*



## Business Tax Revenue Behavior Unusual

- Extension revenue (full return delayed, but payment made) up 378 percent in SFY 2019 through December
- Returns coming in high as well, December 1,873 percent over last December, up 74 percent in SFY 2019 thus far
- Estimates up 14 percent through December, similar to SFY 2016 at December
- How long does unusual behavior last? What does new “normal” look like?

# Potential Factors in Business Tax Revenue Upswing

## ■ Economy

- May explain portion of rise, but unlikely to explain all
- BPT driven by U.S./multinational corporate profits, New Hampshire economy or recent policy decisions unlikely to explain all changes in BPT receipts
- BET base includes compensation, interest, and dividends paid, so higher wages in a tighter labor market and also dividend payments may be helping disproportionately

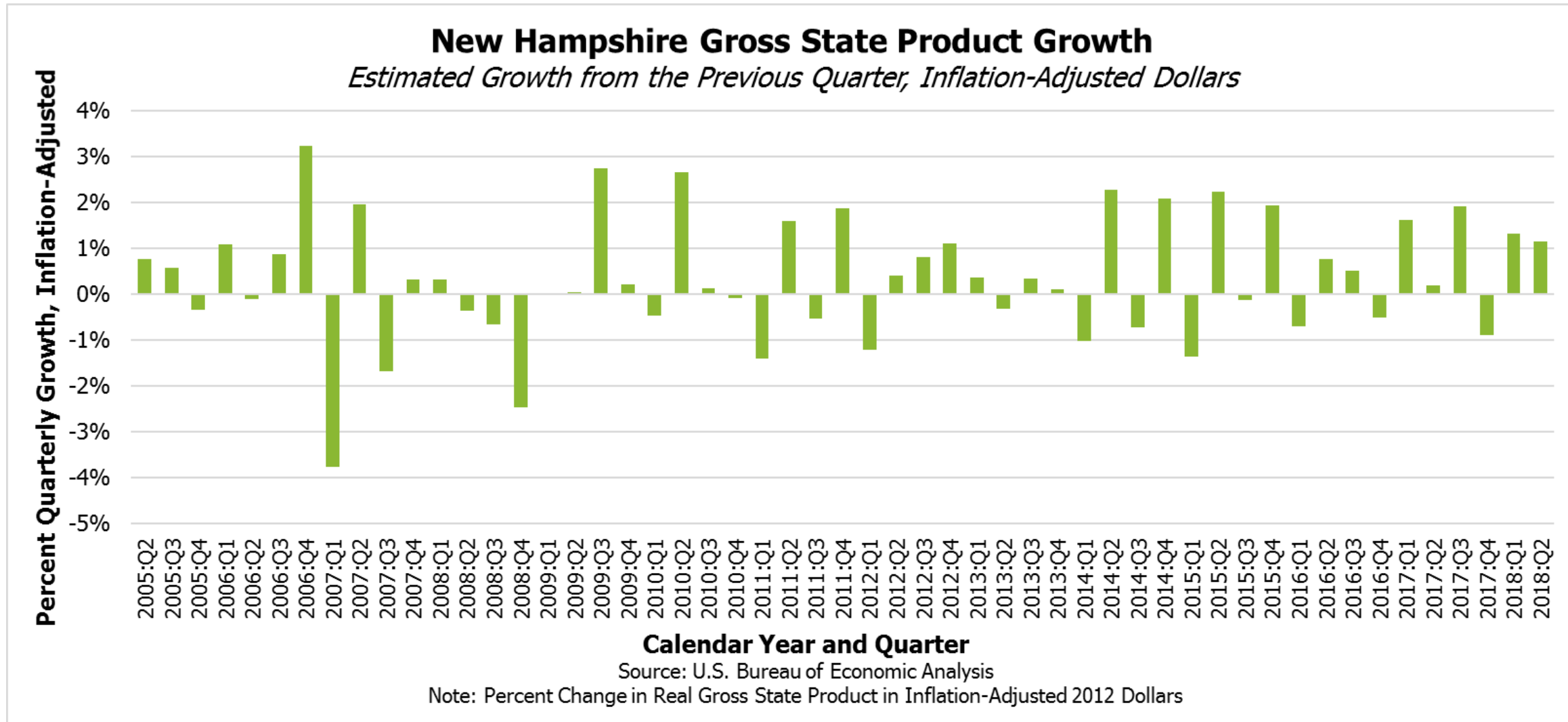
## ■ Mergers and acquisitions high

- Can impact tax base in one-time instances
- Can also impact tax base in longer term due to apportionment

## ■ Repatriation and other Tax Cuts and Jobs Act effects

- Deemed repatriation not in tax base, but dividends are in base
- Effects on corporate profits over time, changes in federal tax base
- Federal government still promulgating regulations

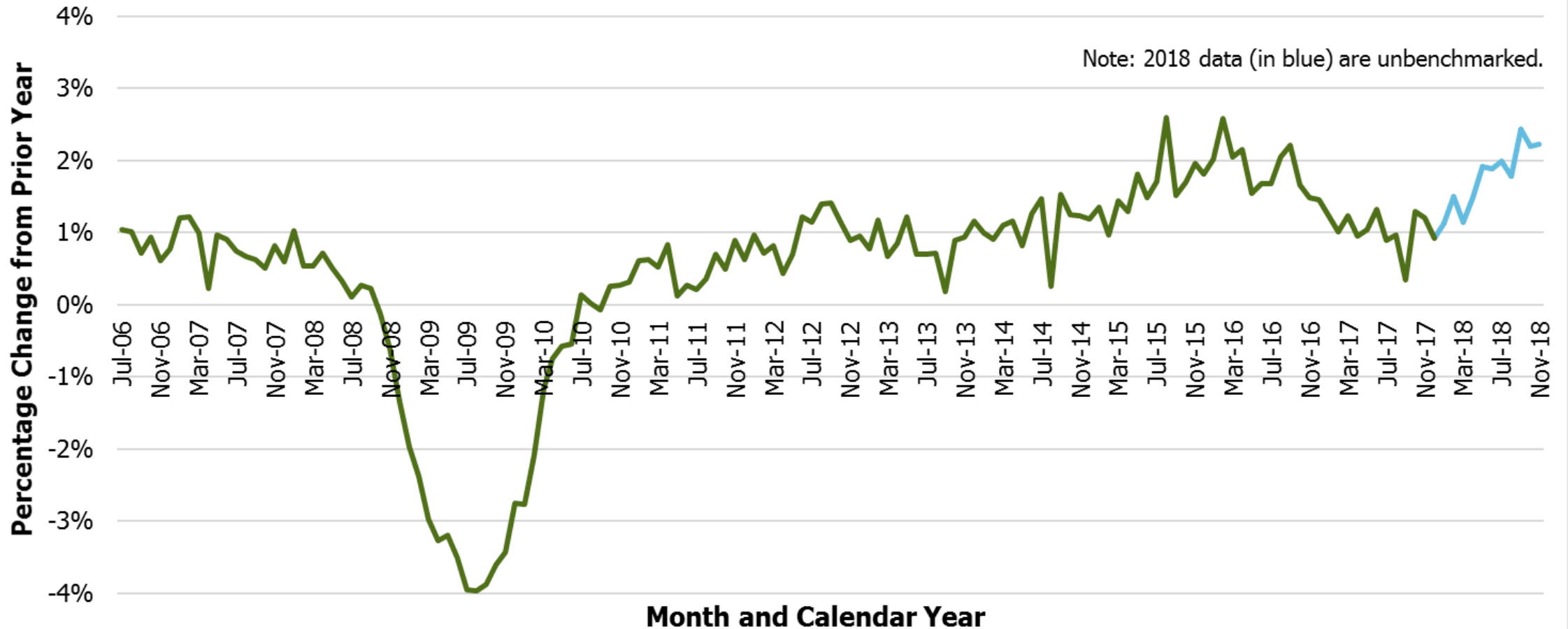
# Economic Growth Strong, But Likely Not Only Factor



# Economic Growth Strong, But Likely Not Only Factor

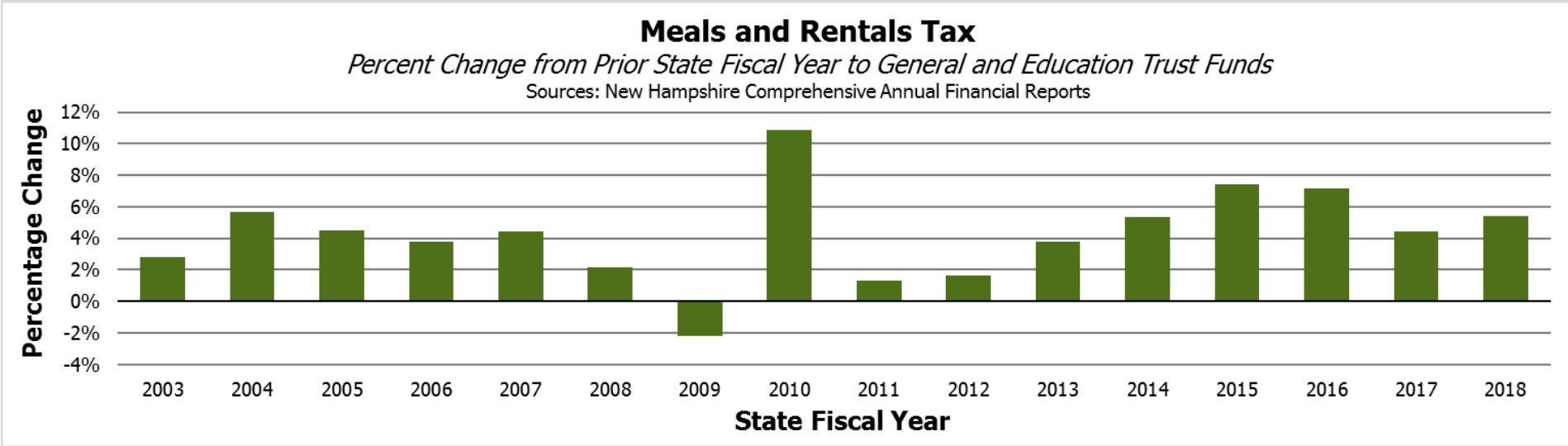
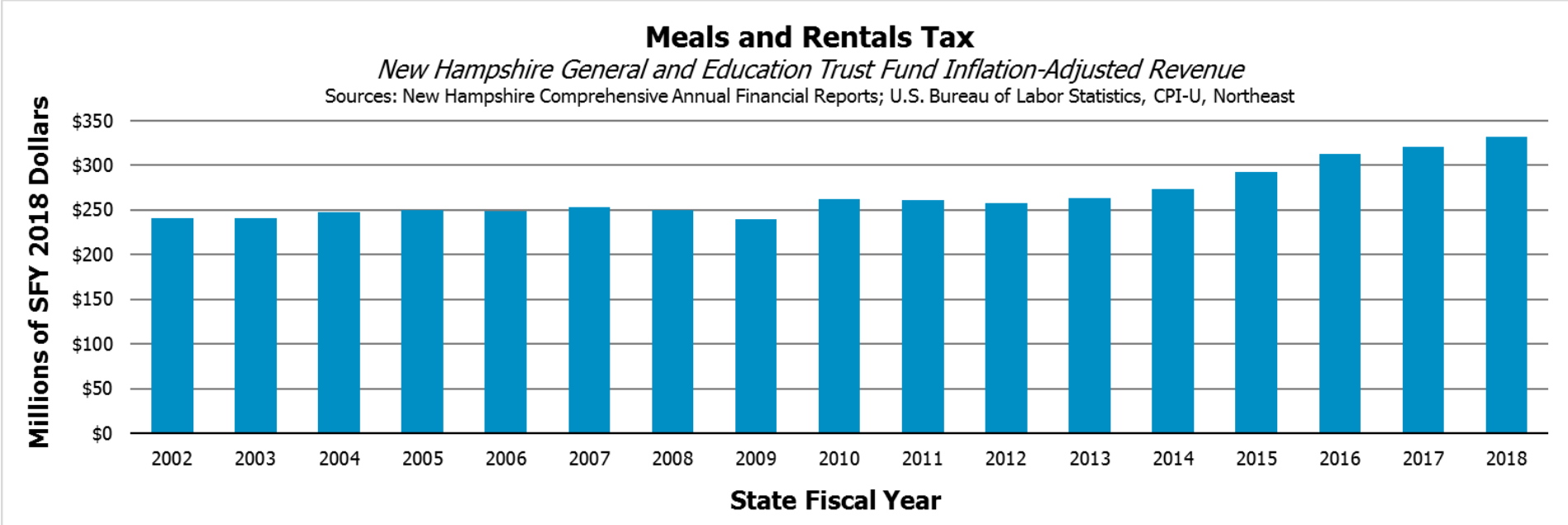
## Percentage Change in New Hampshire Employment

*Total Nonfarm Employment, Change from Prior Year, Seasonally-Adjusted Data*



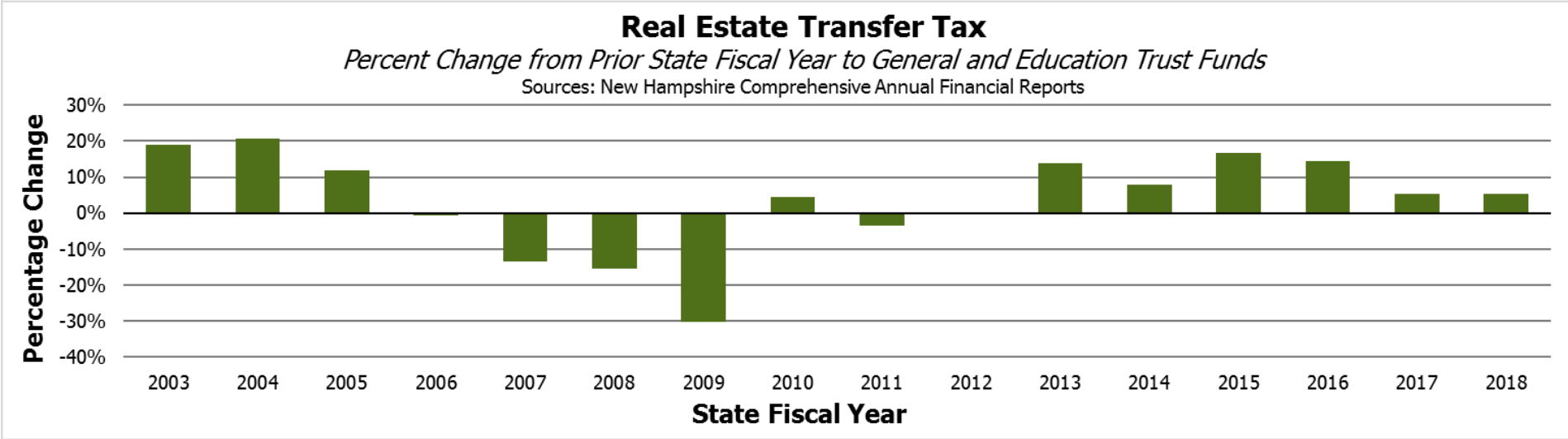
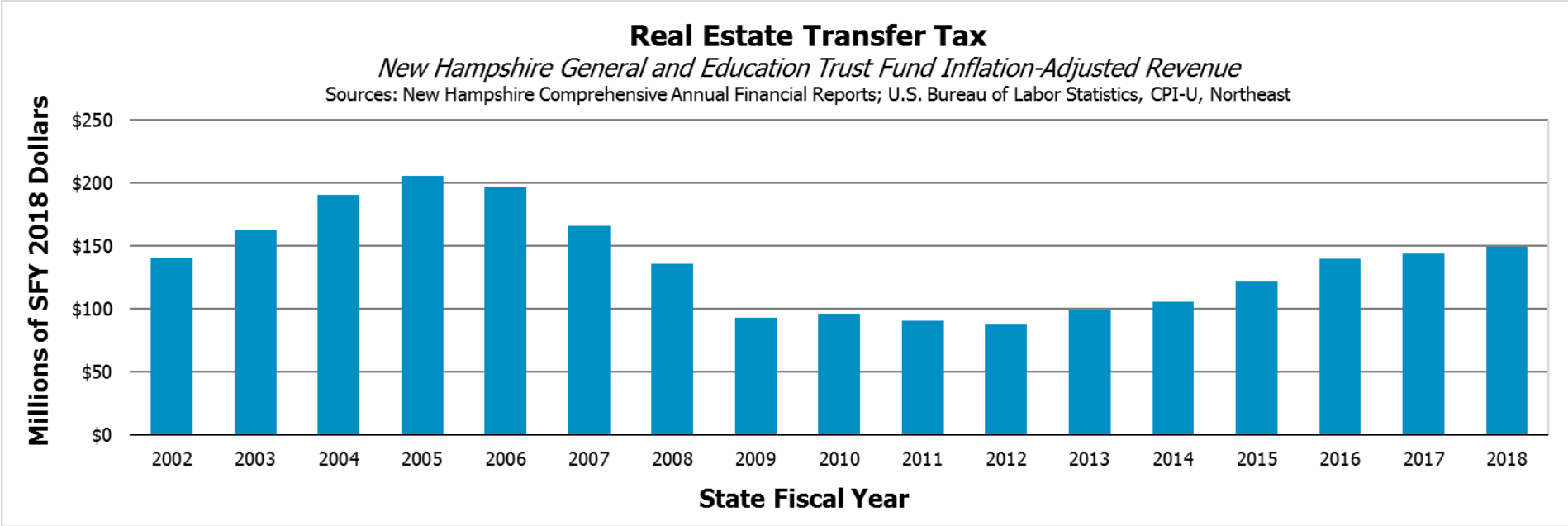
Source: New Hampshire Employment Security, Economic and Labor Market Information Bureau, Current Employment Statistics

# Other Growth Drivers: Meals and Rentals Tax

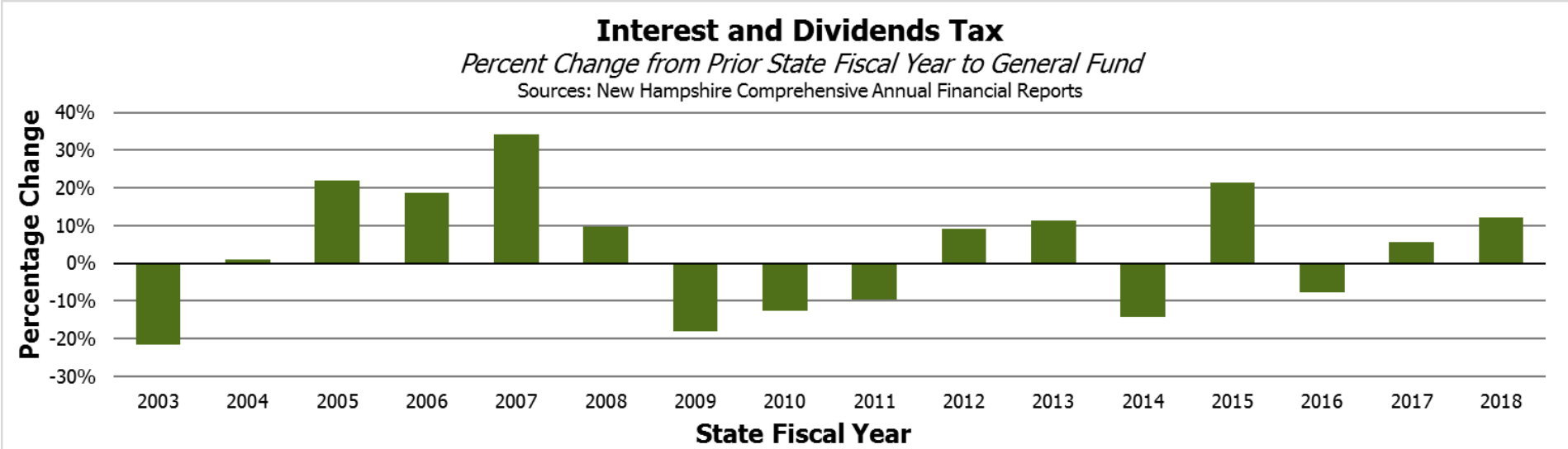
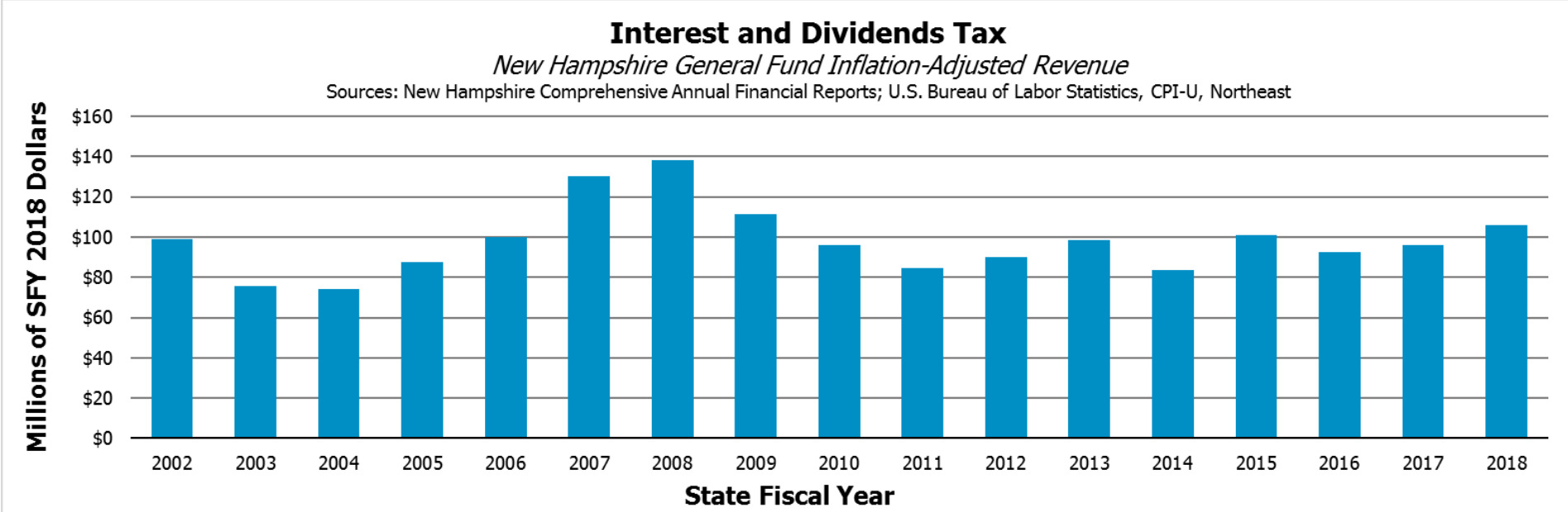




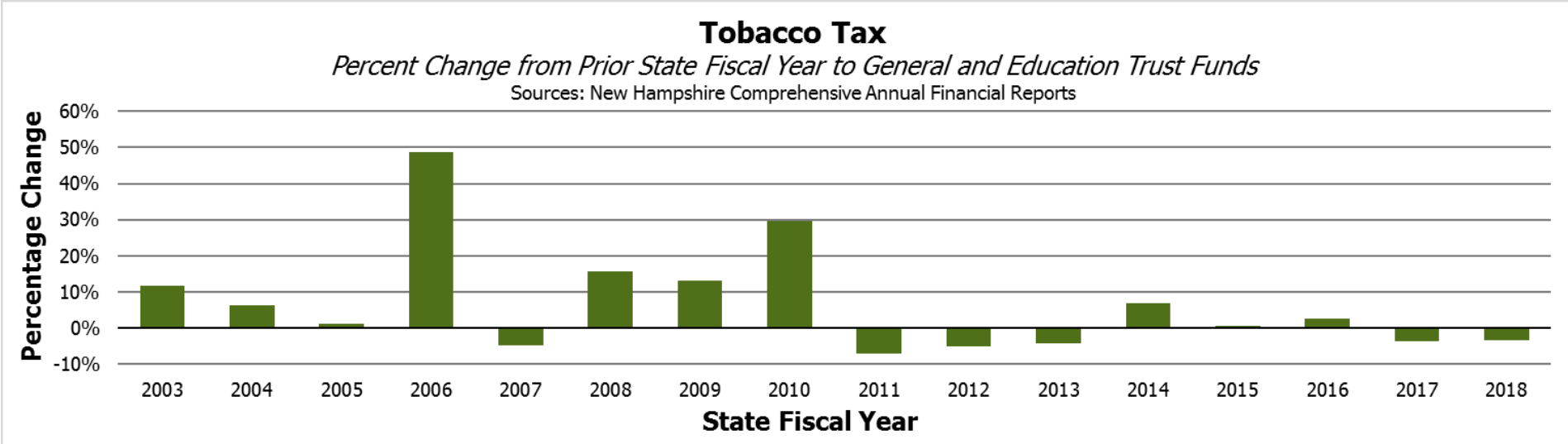
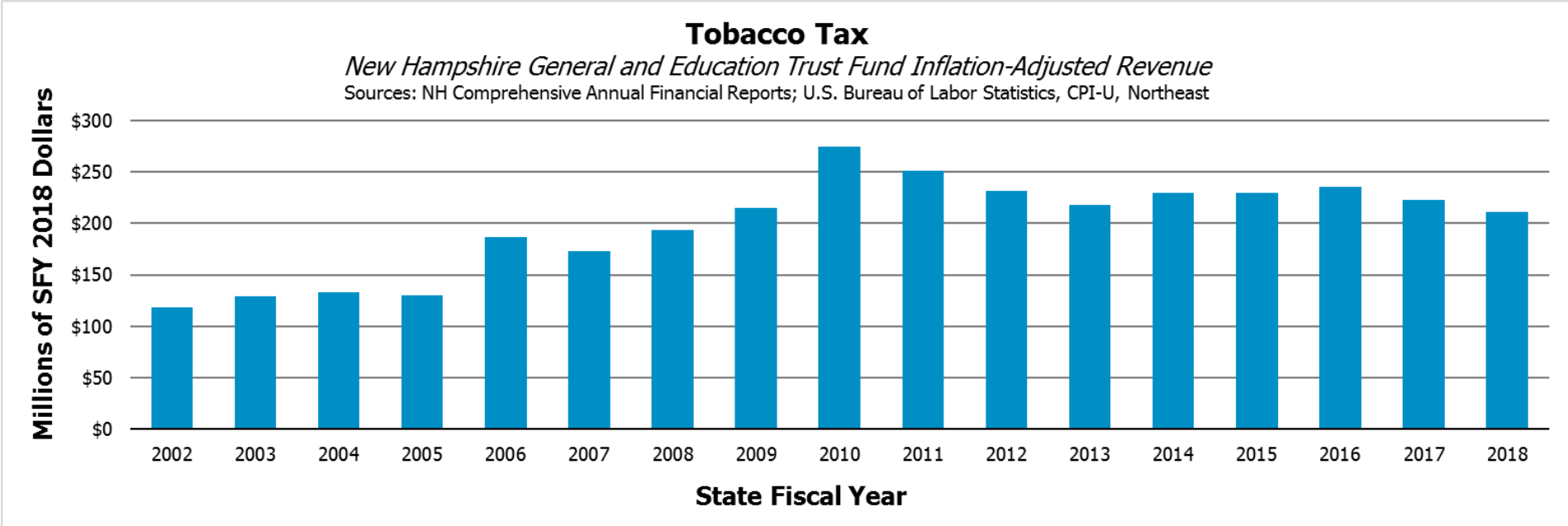
# Other Growth Drivers: Real Estate Transfer Tax



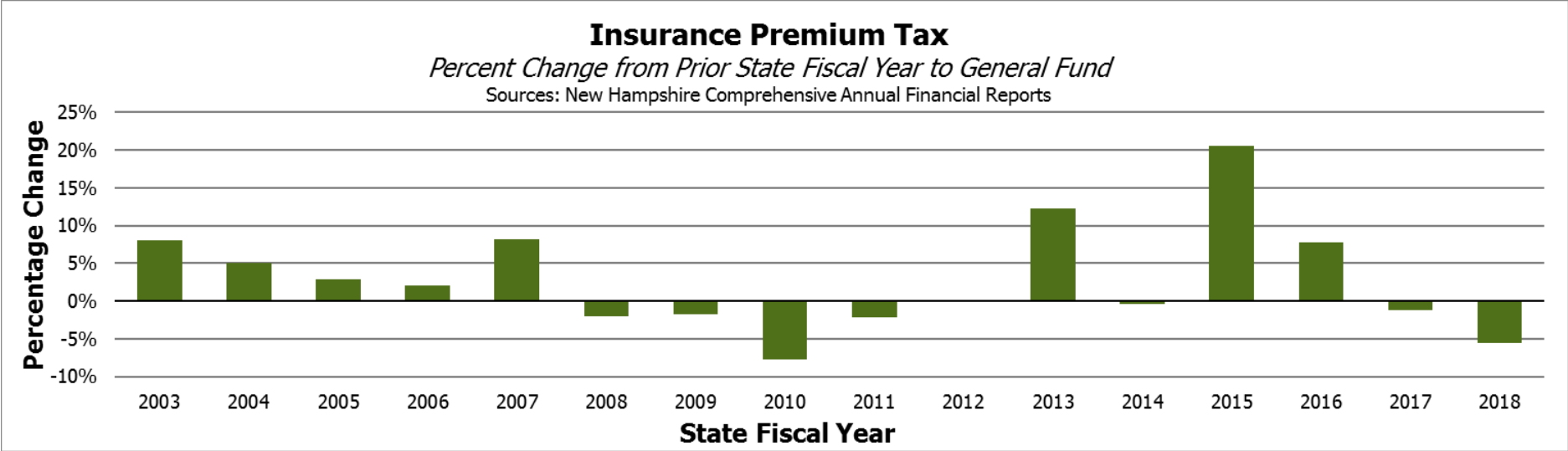
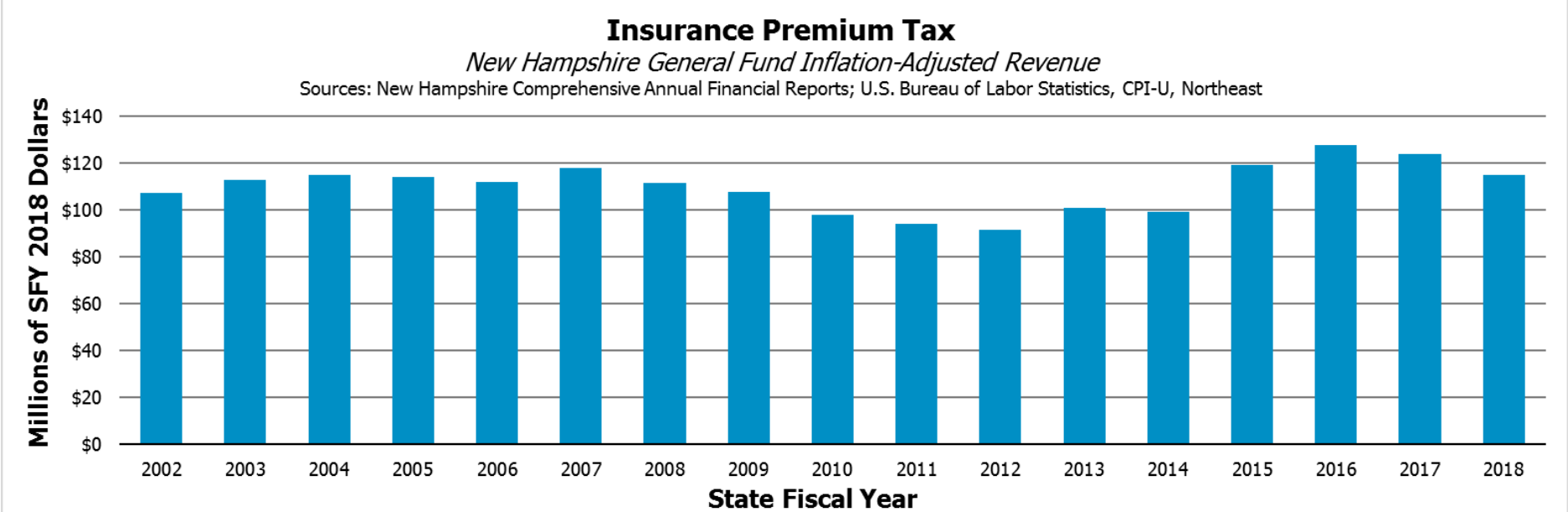
# Sources to Watch: Interest and Dividends Tax



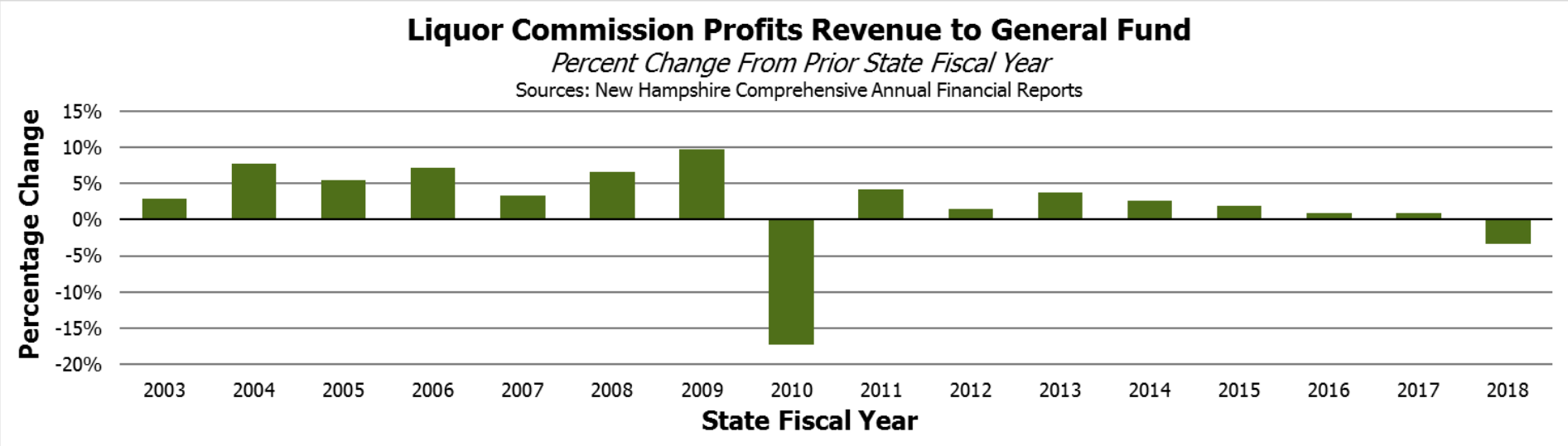
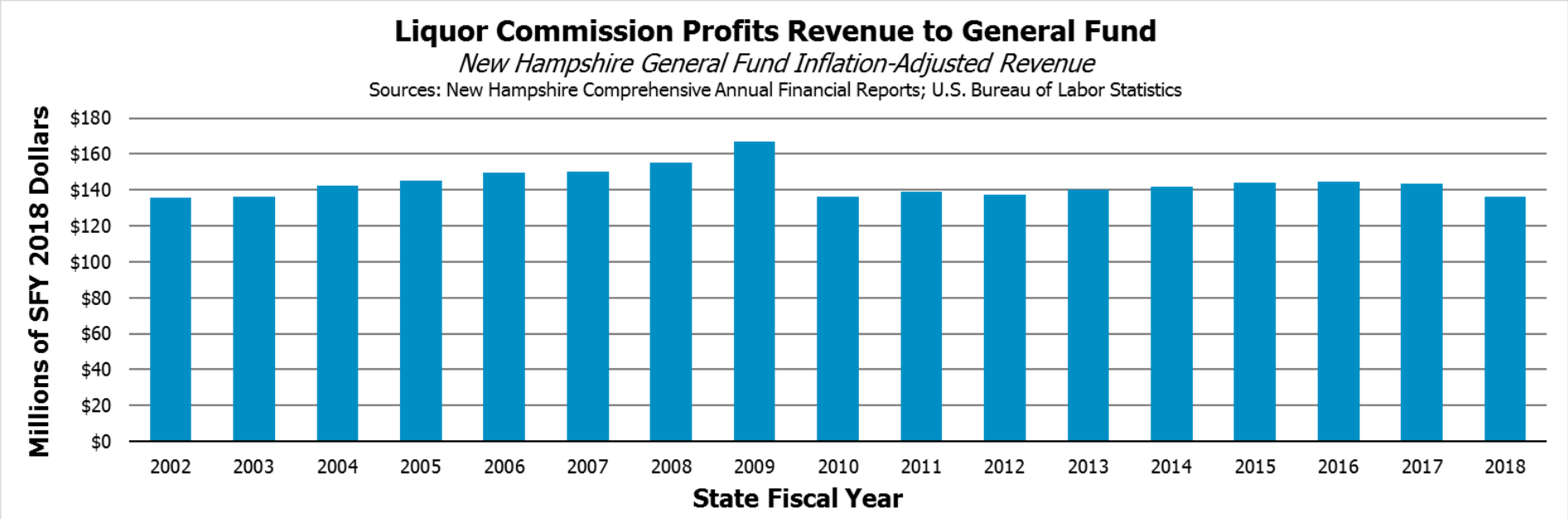
# Sources to Watch: Tobacco Tax



# Sources to Watch: Insurance Premium Tax



# Sources to Watch: Liquor Commission Profit



# Conclusions

- Projecting revenue always a difficult task, likely especially difficult this year
- Business taxes complicate picture
  - Federal corporate tax environment still unsettled
  - Effects of federal tax overhaul may linger
  - Rate reductions complicate comparisons
- Potential changes in other revenue sources
  - Continued slowing in Real Estate Transfer Tax with housing constraint?
  - Slowing Tobacco Tax, other sources?
- Economic slowdown, downturn, recession?

# Additional NHFPI Resources

- *Revenue in Review*: <http://nhfpi.org/research/state-tax/revenue-review-overview-new-hampshire-tax-system-major-revenue-sources.html>
- *Building the Budget*: <http://nhfpi.org/research/state-budget/building-budget-new-hampshires-state-budget-process-recent-funding-trends.html>
- Issue Brief: The State Budget for Fiscal Years 2018 and 2019: <http://nhfpi.org/research/state-budget/the-state-budget-for-fiscal-years-2018-and-2019.html>
- NHFPI NH State Budget page: <http://nhfpi.org/resources/nh-state-budget>
- NHFPI Common Cents blog: <http://nhfpi.org/commoncents>
- NHFPI Annual Conference: **Investments to Sustain a Vibrant Economy**  
Friday, February 22, 2019, 8:00 a.m. to 12:30 p.m.  
Grappone Conference Center, Concord, NH



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