



# NEW HAMPSHIRE'S ECONOMY, HOUSEHOLD FINANCES, AND STATE REVENUES

PRESENTED BY PHIL SLETTEN, SENIOR POLICY ANALYST

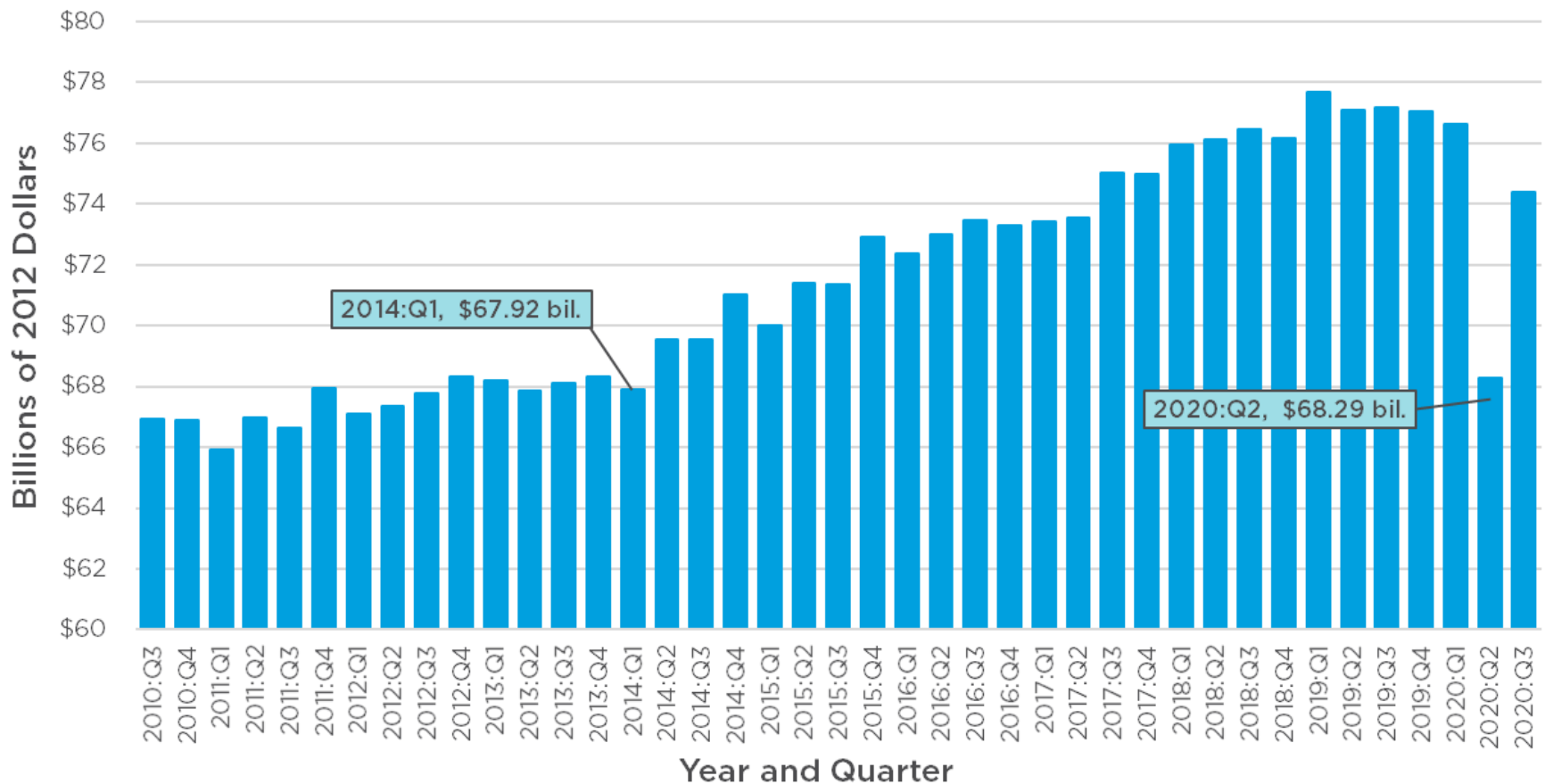
JOINT ECONOMIC BRIEFING

NEW HAMPSHIRE HOUSE OF REPRESENTATIVES AND SENATE  
WAYS AND MEANS COMMITTEES

JANUARY 20, 2021

# COVID-19 CRISIS: MAJOR IMPACT ON STATE ECONOMY

## NEW HAMPSHIRE GROSS STATE PRODUCT, ANNUALIZED

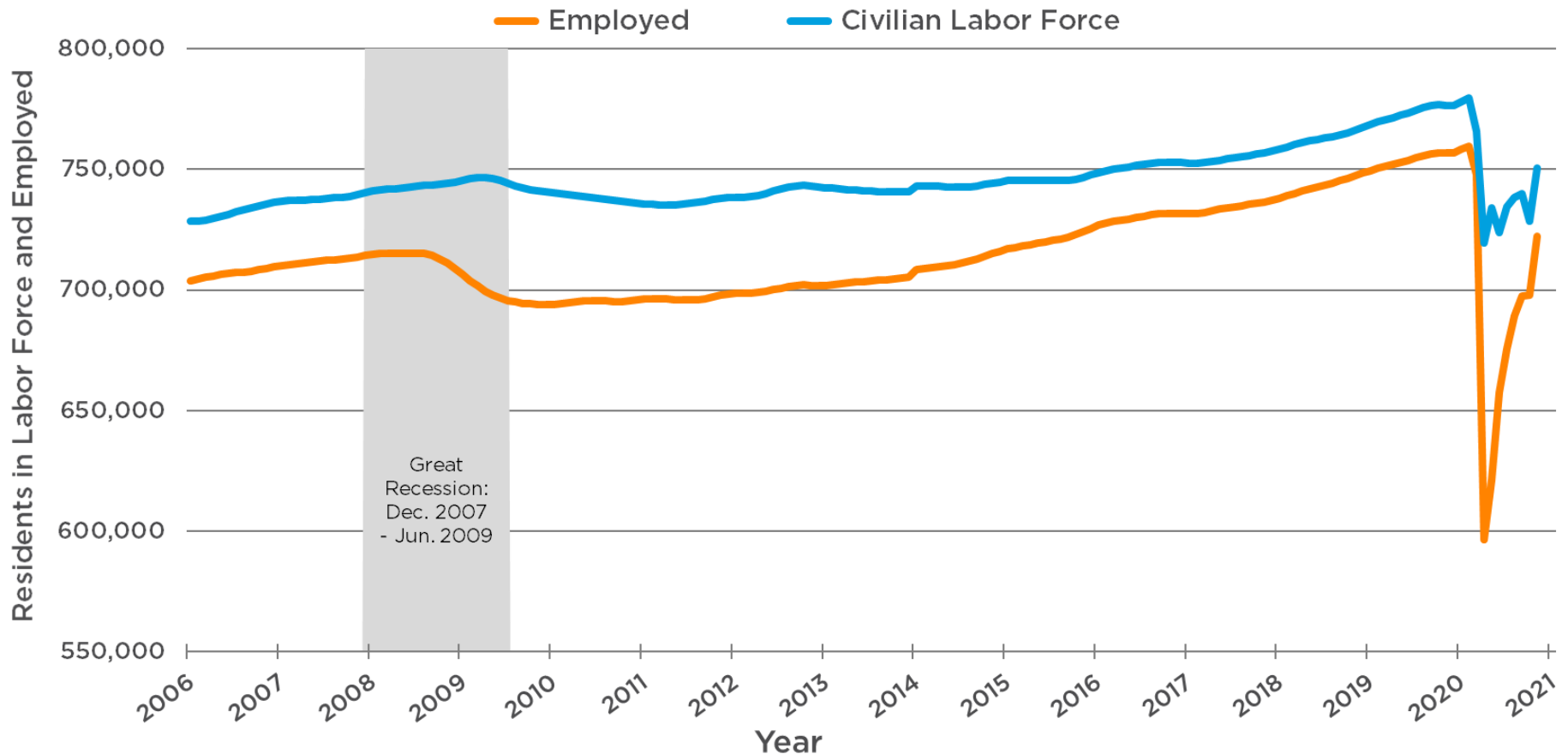


Note: Inflation adjustment for chained 2012 dollars, calculated by the U.S. Bureau of Economic Analysis.

Source: U.S. Bureau of Economic Analysis

# COVID-19 CRISIS: HISTORIC SHOCK TO EMPLOYMENT

NEW HAMPSHIRE RESIDENTS, ESTIMATES SEASONALLY ADJUSTED

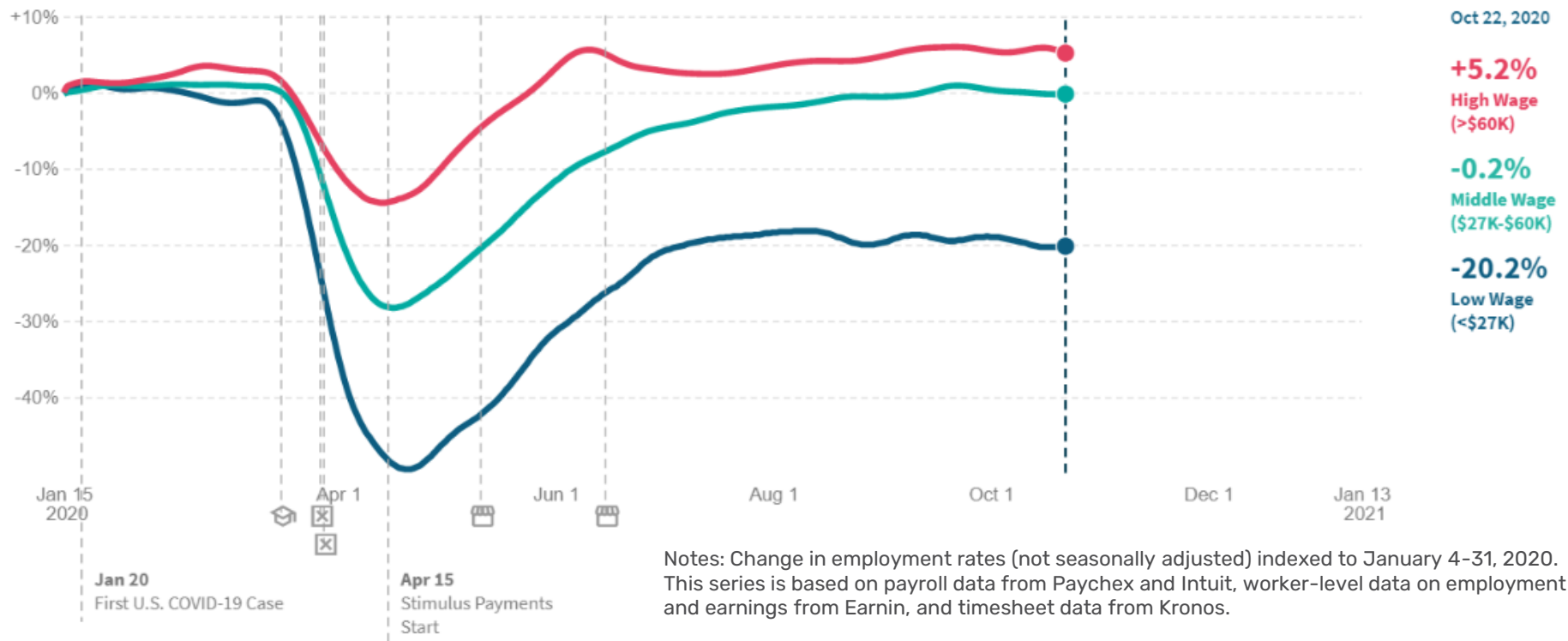


Sources: National Bureau of Economic Research; New Hampshire Employment Security

# COVID-19 CRISIS: EMPLOYMENT IMPACTS UNEVEN

## PERCENT CHANGE IN EMPLOYMENT

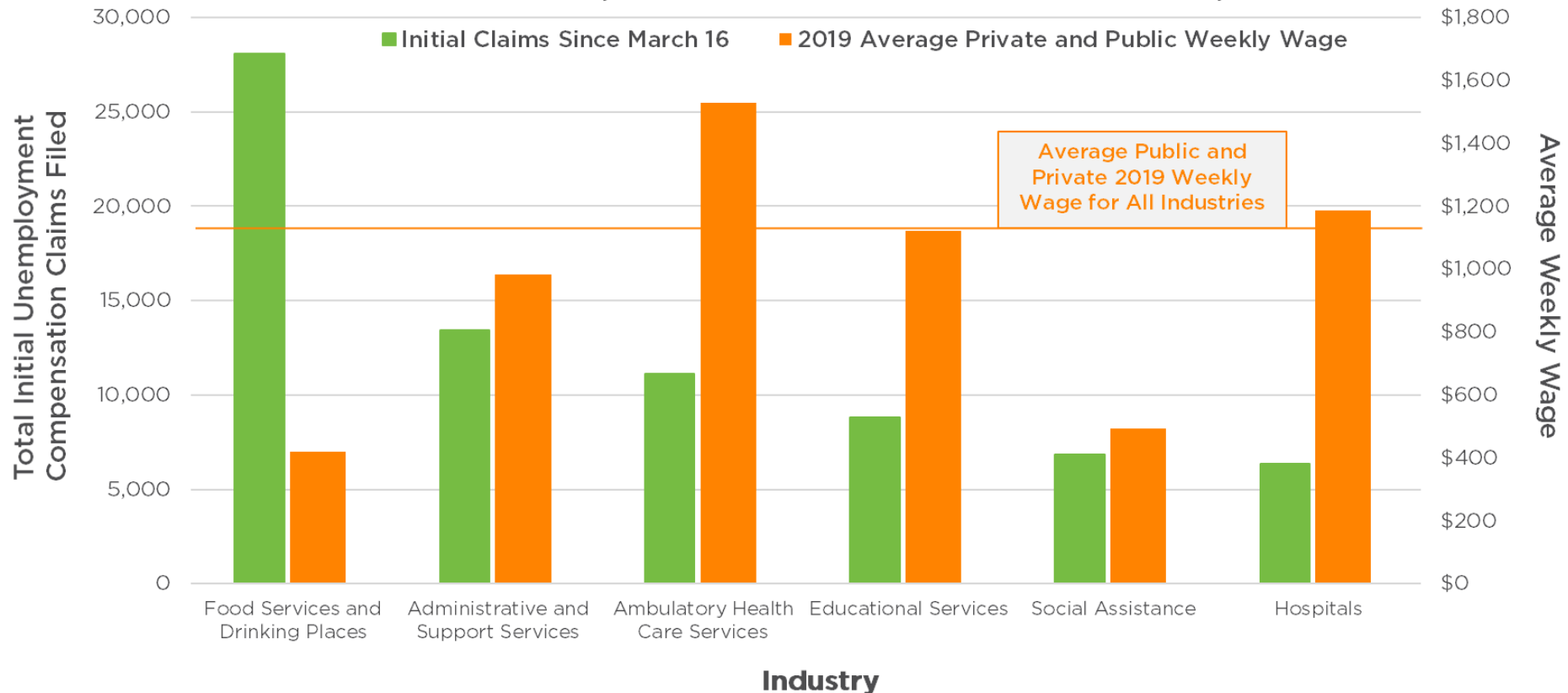
In **New Hampshire**, as of **October 22, 2020**, employment rates among workers in the bottom wage quartile **decreased** by **20.2%** compared to January 2020 (not seasonally adjusted).



Source: Opportunity Insights Economic Tracker; Chetty, Friedman, Hendren, Stepner, and the Opportunity Insights Team, November 2020, accessed at [tracktherecovery.org](https://tracktherecovery.org), a project of Harvard University, Brown University, and The Bill and Melinda Gates Foundation.

# COVID-19 CRISIS: SIGNIFICANT DROP IN LOW WAGE SECTORS

INITIAL UNEMPLOYMENT CLAIMS AND WAGES BY INDUSTRY  
IN NEW HAMPSHIRE, FROM MARCH 16 TO DECEMBER 26, 2020



Sources: New Hampshire Employment Security, *COVID-19 Unemployment Update*, January 7, 2021 and New Hampshire Employment Security, Economic and Labor Market Information Bureau, Covered Employment and Wages

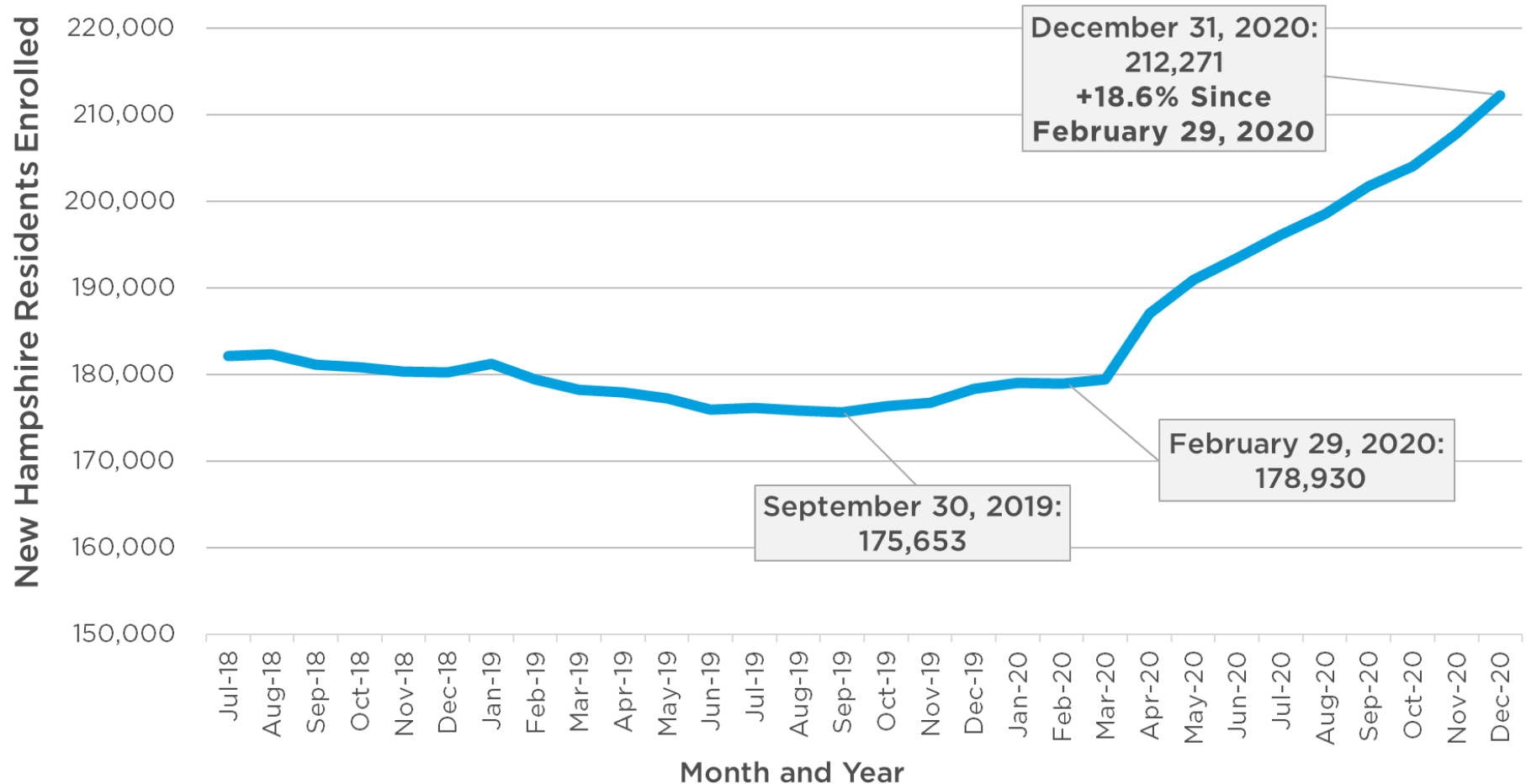
# COVID-19 CRISIS: HOUSEHOLDS LOSE EMPLOYMENT INCOME

## **U.S. Census Bureau surveys of New Hampshire adults show about:**

- 47 percent of households lost employment income between March 13 and the July 2-21 survey (the last survey that asked this question)
- 32 percent of respondents indicated it had been somewhat or very difficult to pay for usual household expenses during the prior seven days (December 9-21 survey)
- 25 percent of respondents expected a loss of household employment income in the next four weeks (December 9-21 survey)
- 11 percent of households sometimes or often did not have enough food to eat in the prior seven days (December 9-21 survey)

Source: U.S. Census Bureau, *Household Pulse Survey*

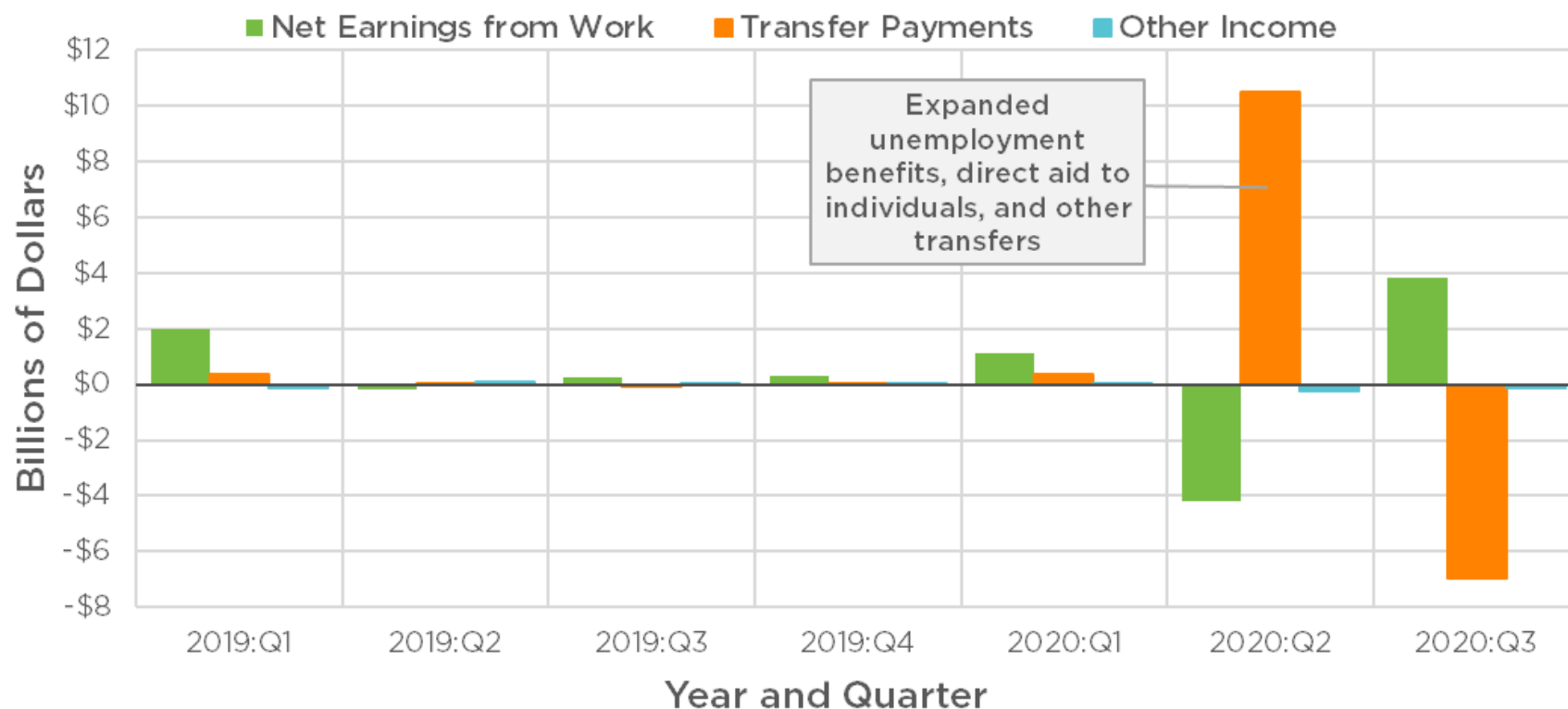
# COVID-19 CRISIS: MEDICAID ENROLLMENT INCREASE



Source: New Hampshire Department of Health and Human Services, Monthly Caseload Reports

# COVID-19 CRISIS: FEDERAL ACTION PROVIDES KEY BOOST

CHANGE IN PERSONAL INCOME FROM PRIOR QUARTER,  
NEW HAMPSHIRE, ANNUALIZED



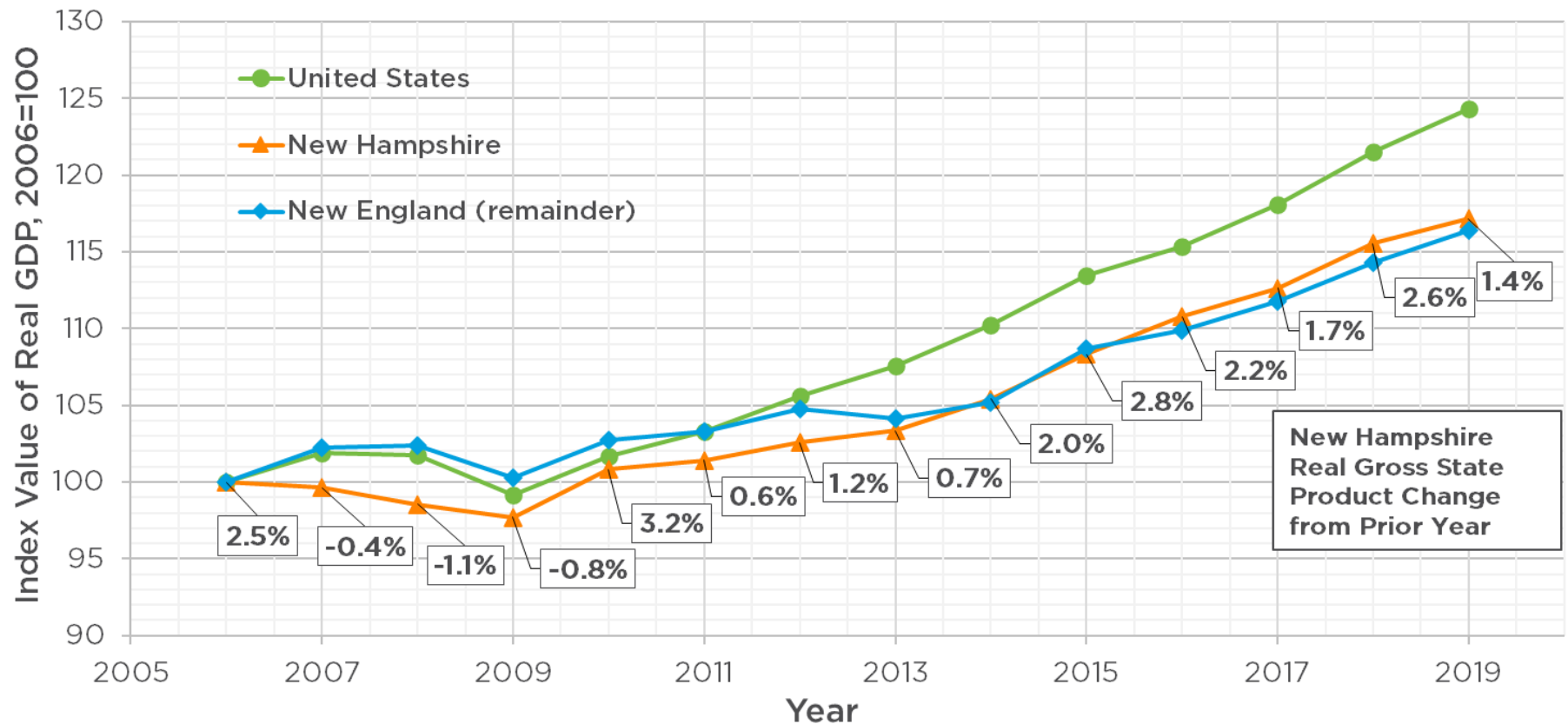
Notes: Net earnings adjusted for place of residence. "Transfer Payments" can include private sector transfers. "Other Income" includes, interest, dividends, and rent as defined by the U.S. Bureau of Economic Analysis. Figures not adjusted for inflation.

Source: U.S. Bureau of Economic Analysis



# BEFORE THE CRISIS: ECONOMY HAD GROWN OVERALL

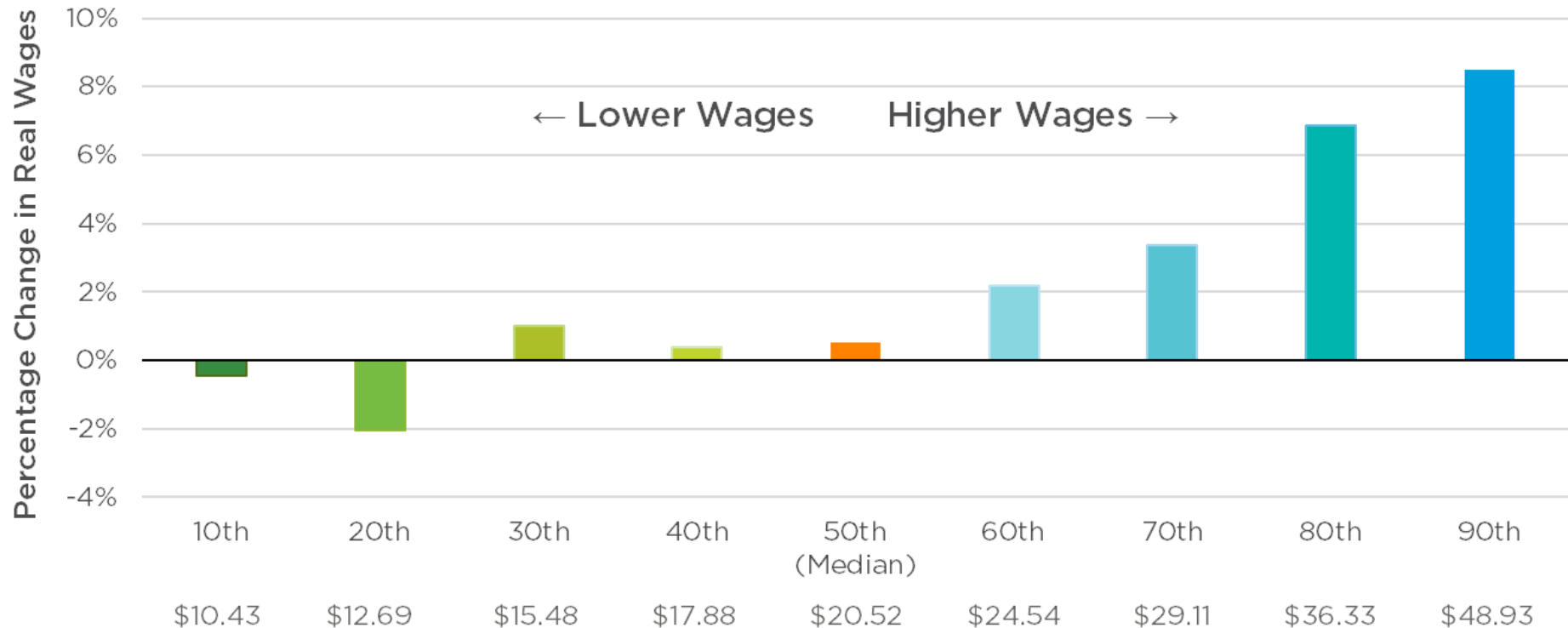
## CHANGES IN INFLATION-ADJUSTED GROSS DOMESTIC PRODUCT



Note: Inflation adjustment is 2012 chained dollars.  
Source: U.S. Bureau of Economic Analysis

# BEFORE THE CRISIS: REAL WAGES HAD NOT GROWN FOR MANY

CHANGE FROM 2004-2006 TO 2017-2019 AVERAGES BY WAGE DECILE



Relative Wage Percentiles and  
Corresponding 2017-2019 Hourly Wage Estimates

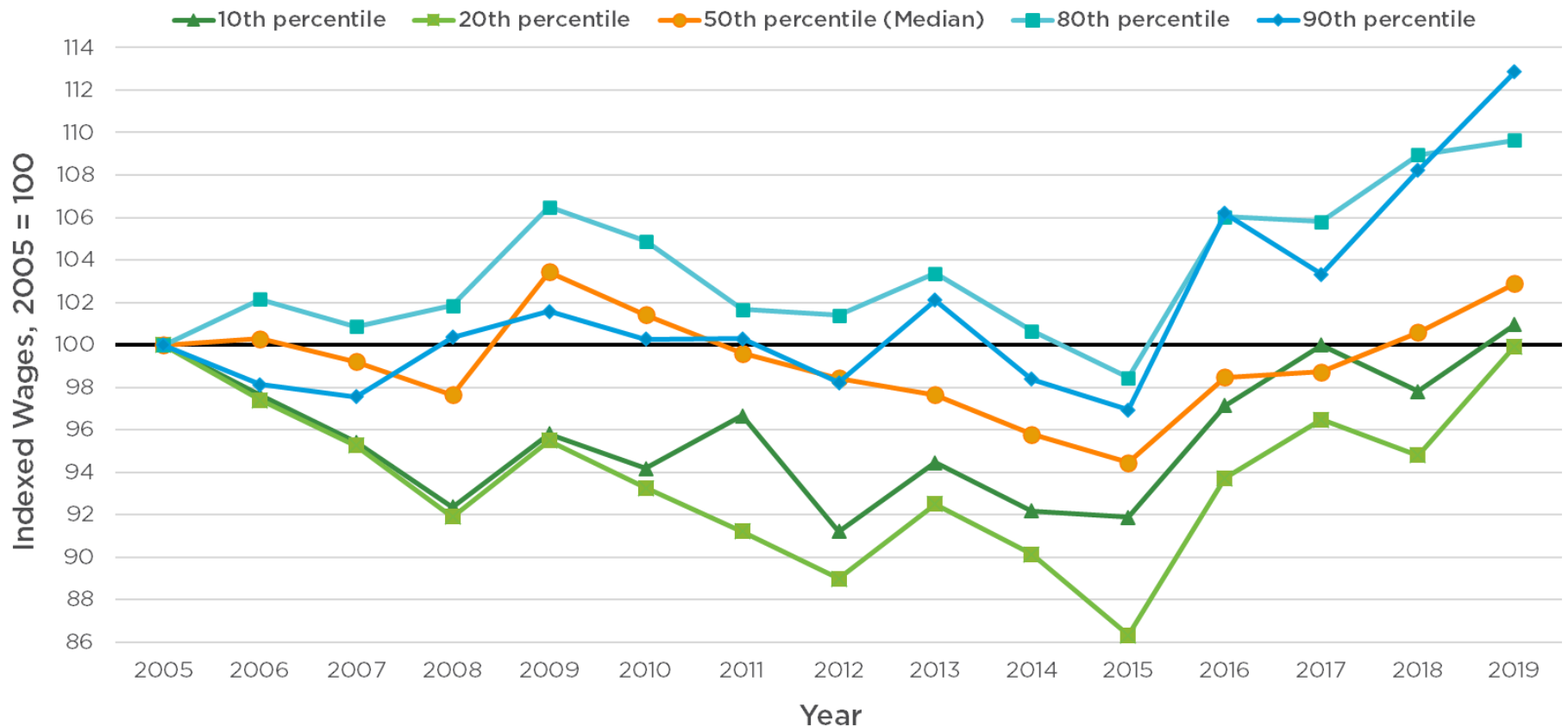
Note: Inflation adjustment using Consumer Price Index-Urban-Research Series (current methods).

Includes workers aged 16 years and older and all income from work.

Source: Economic Policy Institute analysis of Current Population Survey Outgoing Rotation Group data

# BEFORE THE CRISIS: LESS PURCHASING POWER IN LOW WAGES

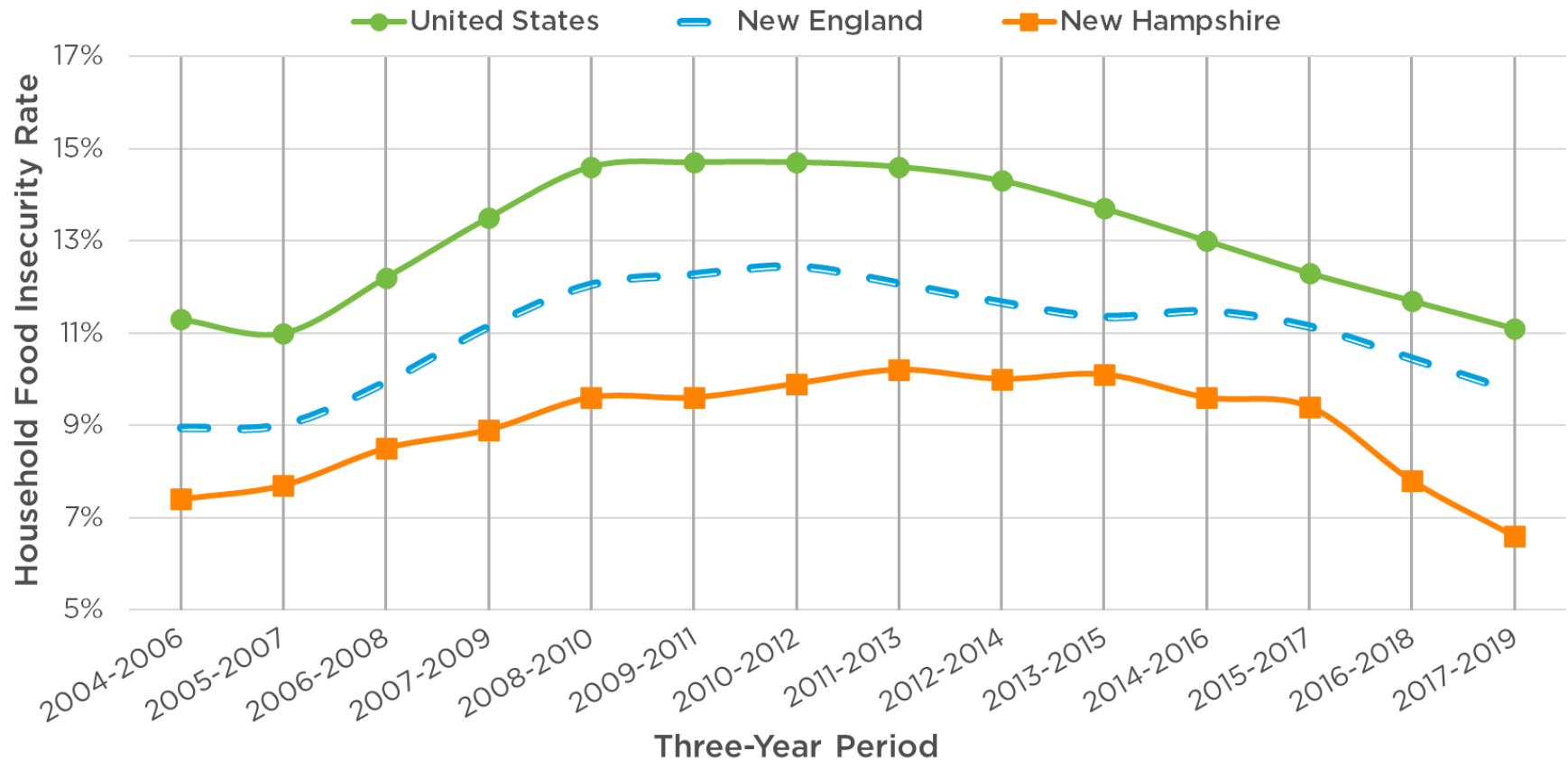
## INFLATION-ADJUSTED WAGES IN NEW HAMPSHIRE



Notes: Inflation adjustment using Consumer Price Index-Urban-Research Series (current methods).  
Includes workers aged 16 years and older and all income from work.  
Source: Economic Policy Institute analysis of Current Population Survey Outgoing Rotation

# BEFORE THE CRISIS: FOOD INSECURITY ELEVATED LONGER

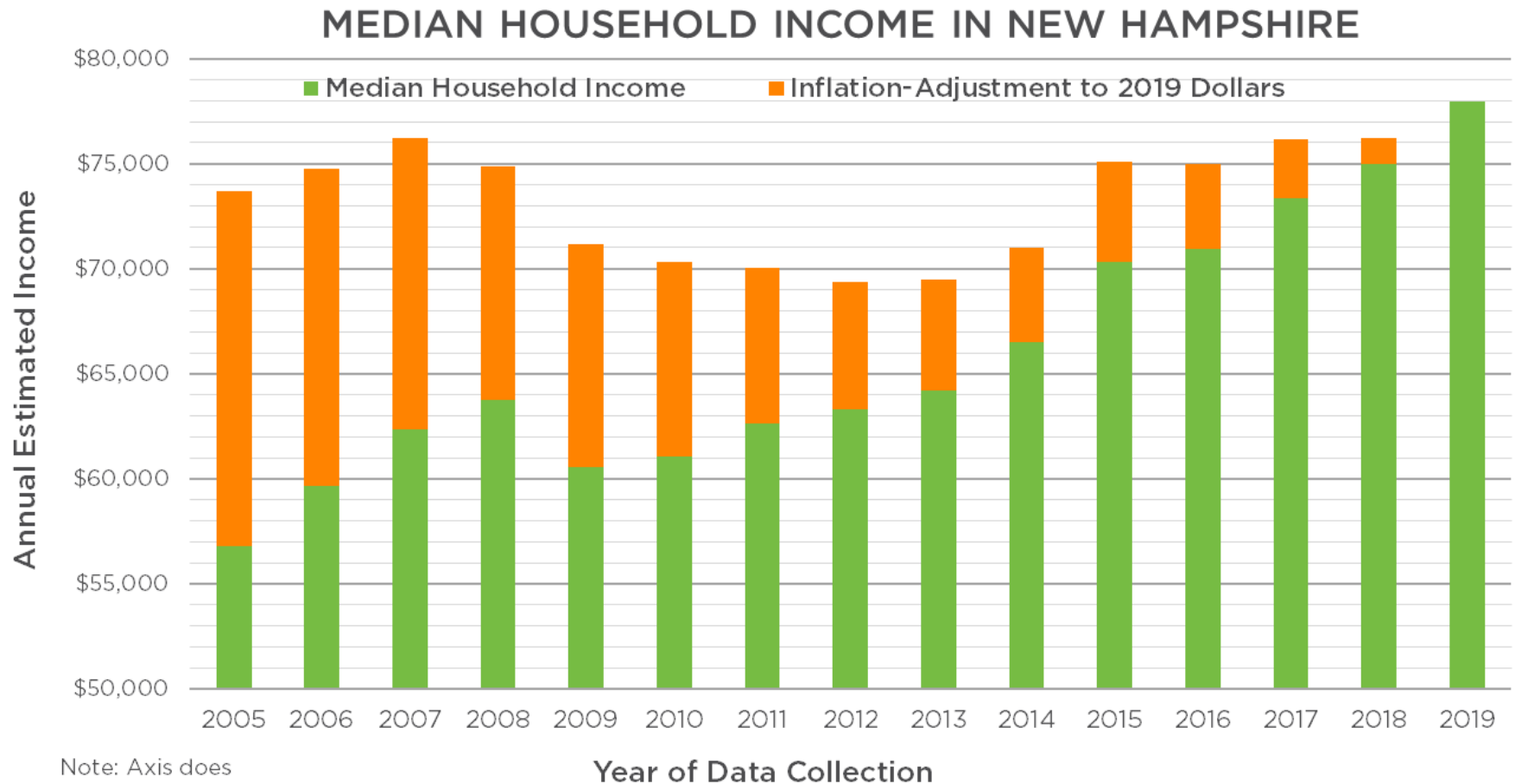
## ESTIMATED HOUSEHOLD FOOD INSECURITY



Source: U.S. Department of Agriculture Economic Research Service, Household Food Insecurity in the United States

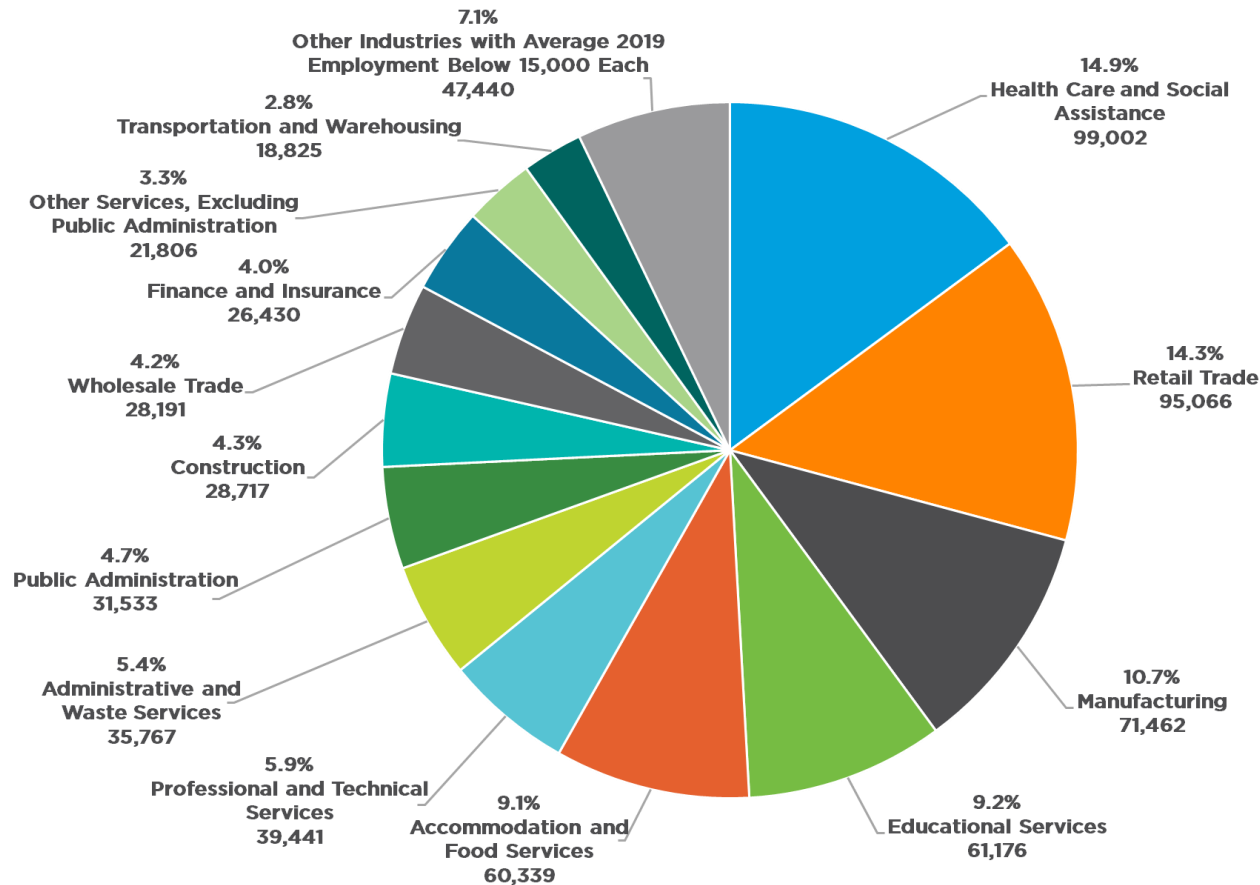
Notes: Each period of data represents an average of three years of data comprised. Household food insecurity estimates for New England were calculated using weighted averages based on state level data provided by the U.S. Department of Agriculture Economic Research Service.

# BEFORE THE CRISIS: HOUSEHOLD INCOME GROWTH DELAYED



# BEFORE THE CRISIS: LARGE INDUSTRIES WITH LOWER WAGES

## NEW HAMPSHIRE EMPLOYMENT BY INDUSTRY, 2019



Notes: Includes public and private sector employment. Average employment for 2019 determined by averaging the average quarterly public and private industry unemployment, total Average Employment for 2019 was 665,154.

Source: New Hampshire Employment Security, Economic and Labor Market Information Bureau, Covered Employment and Wages

# BEFORE THE CRISIS: LIMITED SAVINGS IN MANY HOUSEHOLDS

## October 2019 survey for the U.S. Federal Reserve:

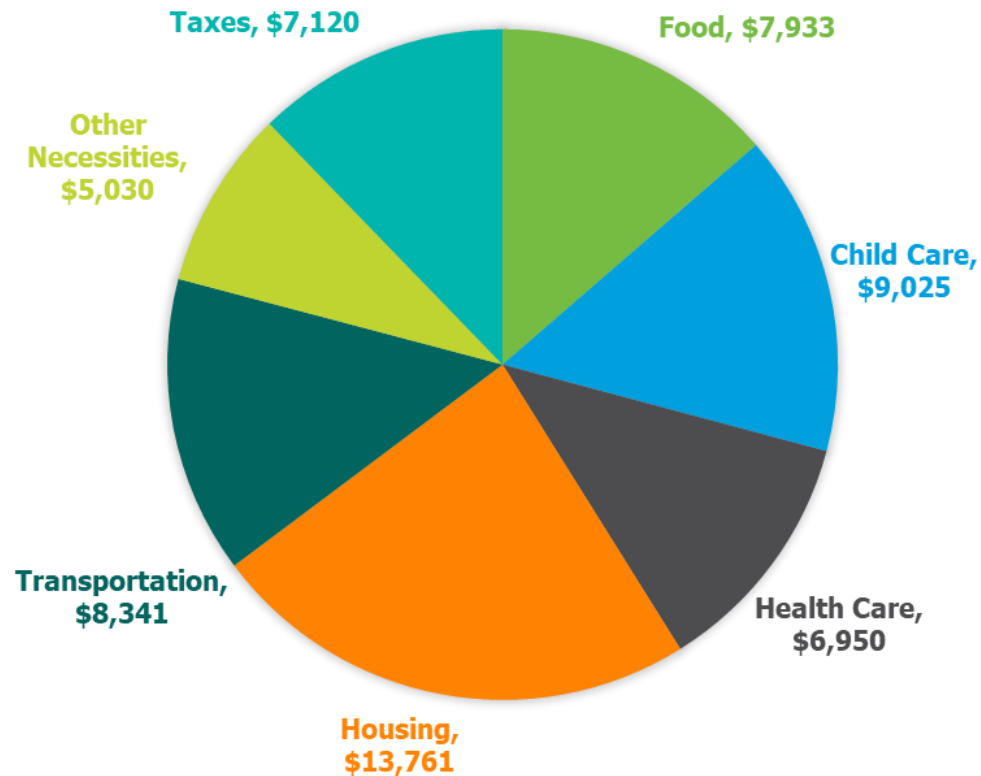
- 37 percent of U.S. adults indicated they would not pay for an unexpected \$400 expense with cash, savings, or a credit card to be paid in full at the end of the month
- 15 percent of U.S. adults indicated they were not able to pay their bills in full in October 2019
- Of those who could pay their bills in full in October 2019, 16 percent indicated that they would not be able to pay bills in full if there had been an unexpected \$400 expense
- Similar July 2020 survey found people more likely to use liquid cash for unexpected expenses, likely due to federal Economic Impact Payments and enhanced unemployment benefits

Source: Board of Governors of the Federal Reserve System, *Report on the Economic Well-Being of U.S. Households (SHED)*, May 2020 and July 2020

# BEFORE THE CRISIS: HOUSEHOLDS FACED SIGNIFICANT COSTS

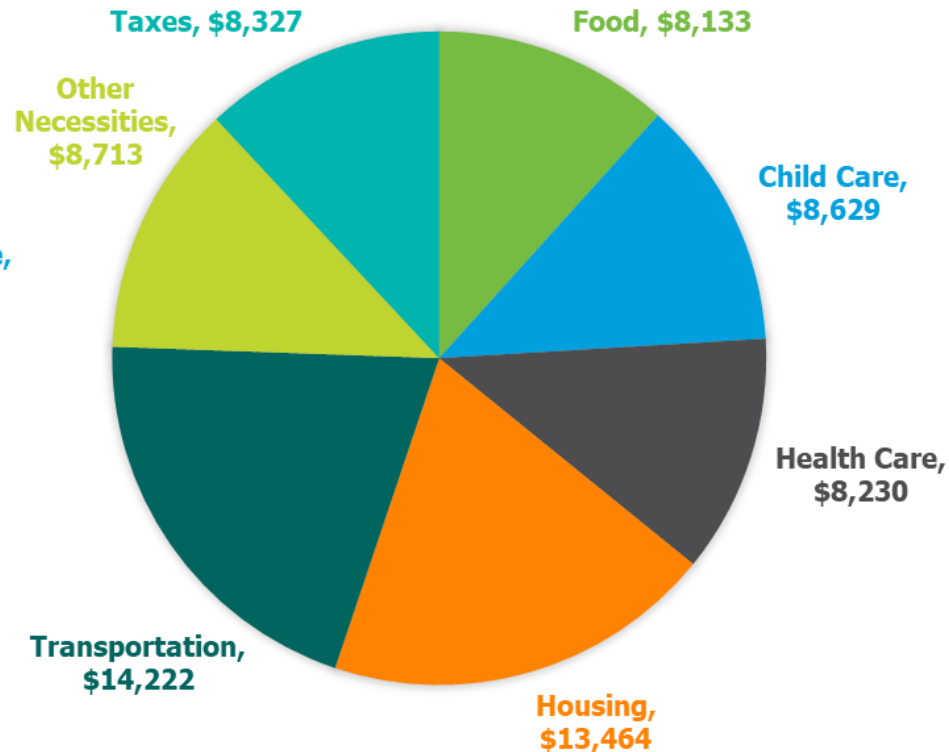
MASSACHUSETTS INSTITUTE OF  
TECHNOLOGY LIVING WAGE CALCULATOR  
NEW HAMPSHIRE, 2018

TWO WORKING ADULTS, ONE CHILD: \$58,160



ECONOMIC POLICY INSTITUTE  
FAMILY BUDGET CALCULATOR  
MERRIMACK COUNTY, NEW HAMPSHIRE, 2018

TWO ADULTS, ONE CHILD: \$69,718

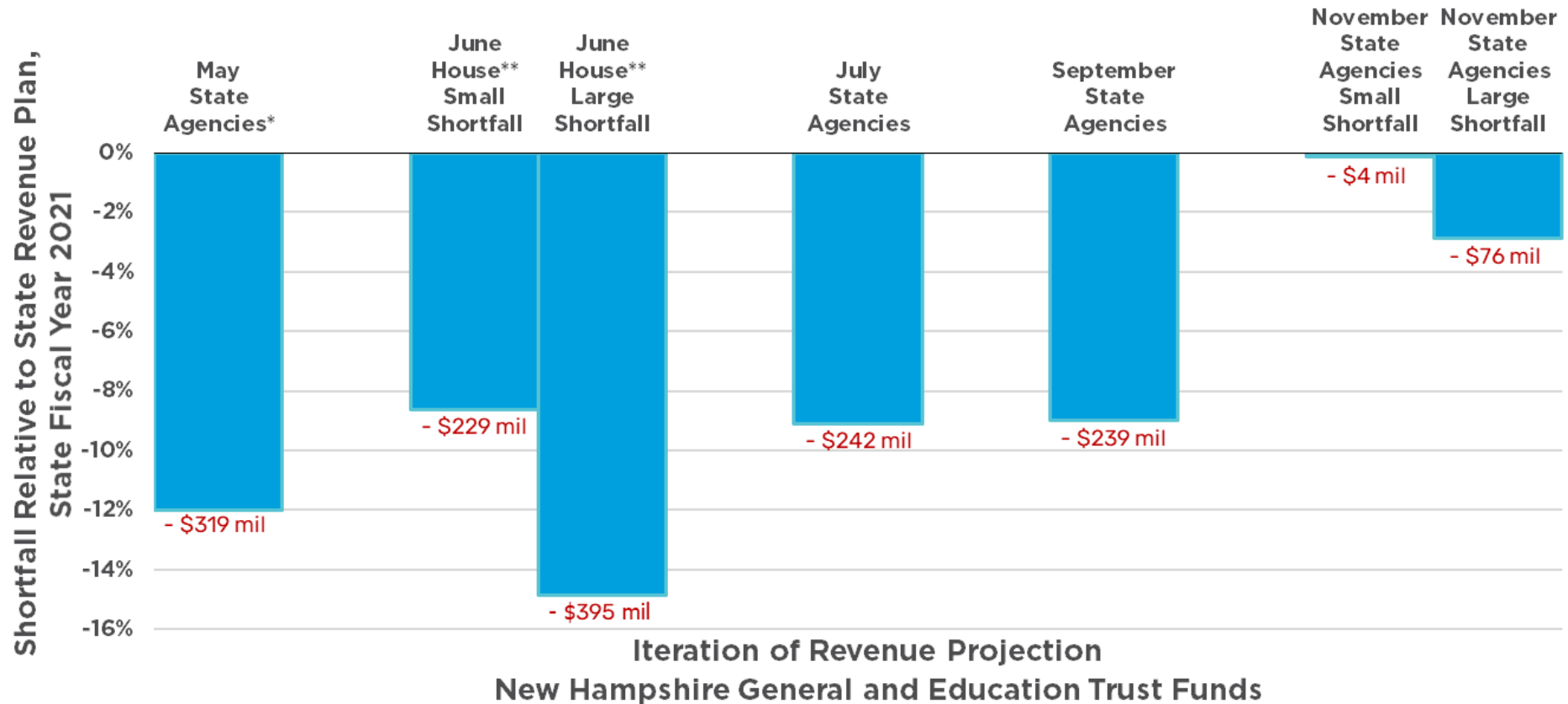




# THE ECONOMY GOING FORWARD: KEY QUESTIONS

- Will workers be able to rejoin the workforce efficiently?
- Will there be sufficient training or educational opportunities to prepare people to enter a post-pandemic economy?
- Will employment income losses lead to a more “regular” recession, or will recovery happen more quickly?
- Will wages grow meaningfully for low-income workers?
- Will there be additional federal action to support the economy and the ability of residents to make ends meet?
- What role will the state play in supporting the recovery?
- What happens to the international economy and trade?
- What happens to commercial property, tourism, other areas?

# STATE REVENUES: AN IMPROVING FORECAST

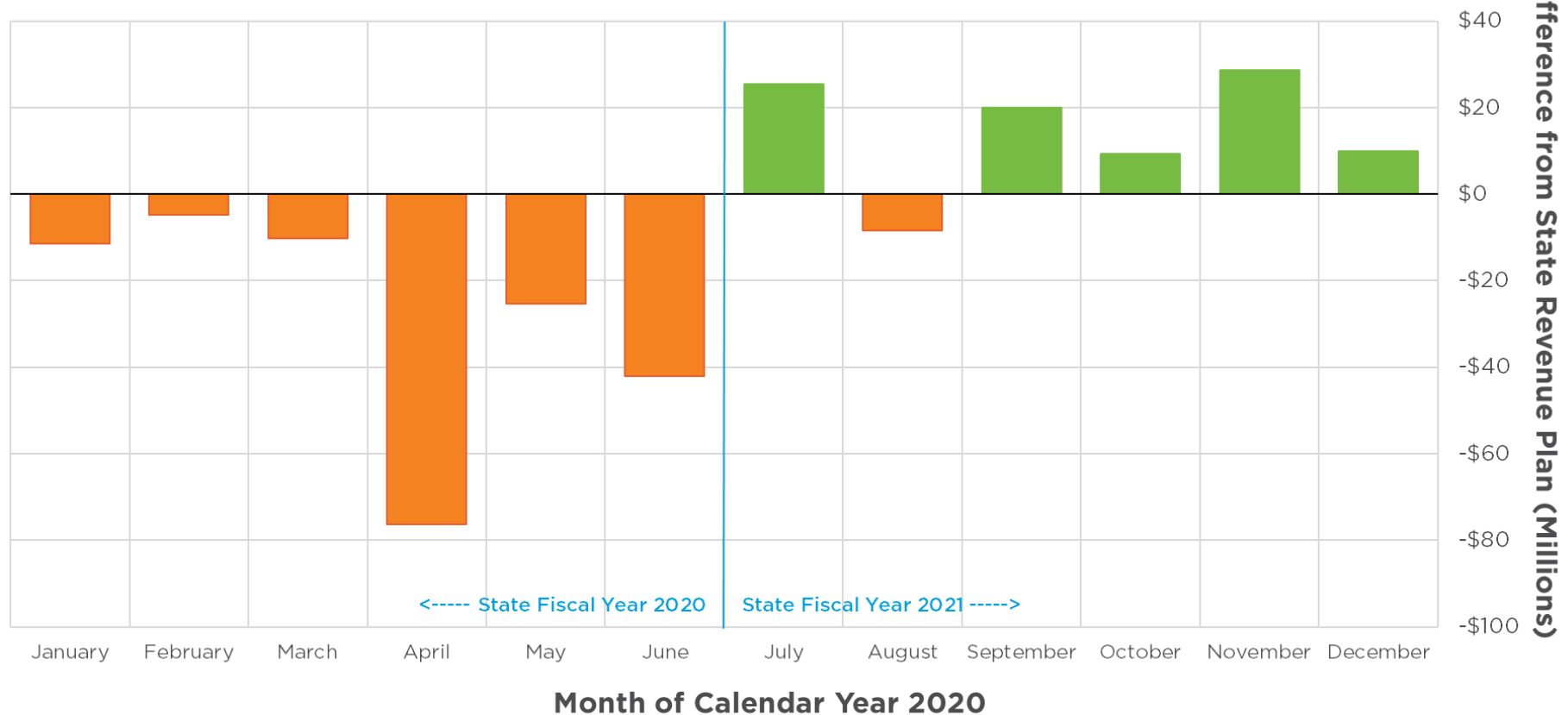


Notes: \*Of the agencies providing estimates, only one agency provided a range, while all others provided point estimates; the average of the estimate totals is provided here. \*\*Estimates from the House Ways and Means Committee.

Source: New Hampshire Office of Legislative Budget Assistant, Revenue Estimate Worksheet, November 18, 2020

# STATE REVENUES: ACTUAL FISCAL YEAR RECEIPTS AHEAD

## REVENUE TO THE NEW HAMPSHIRE GENERAL AND EDUCATION TRUST FUNDS

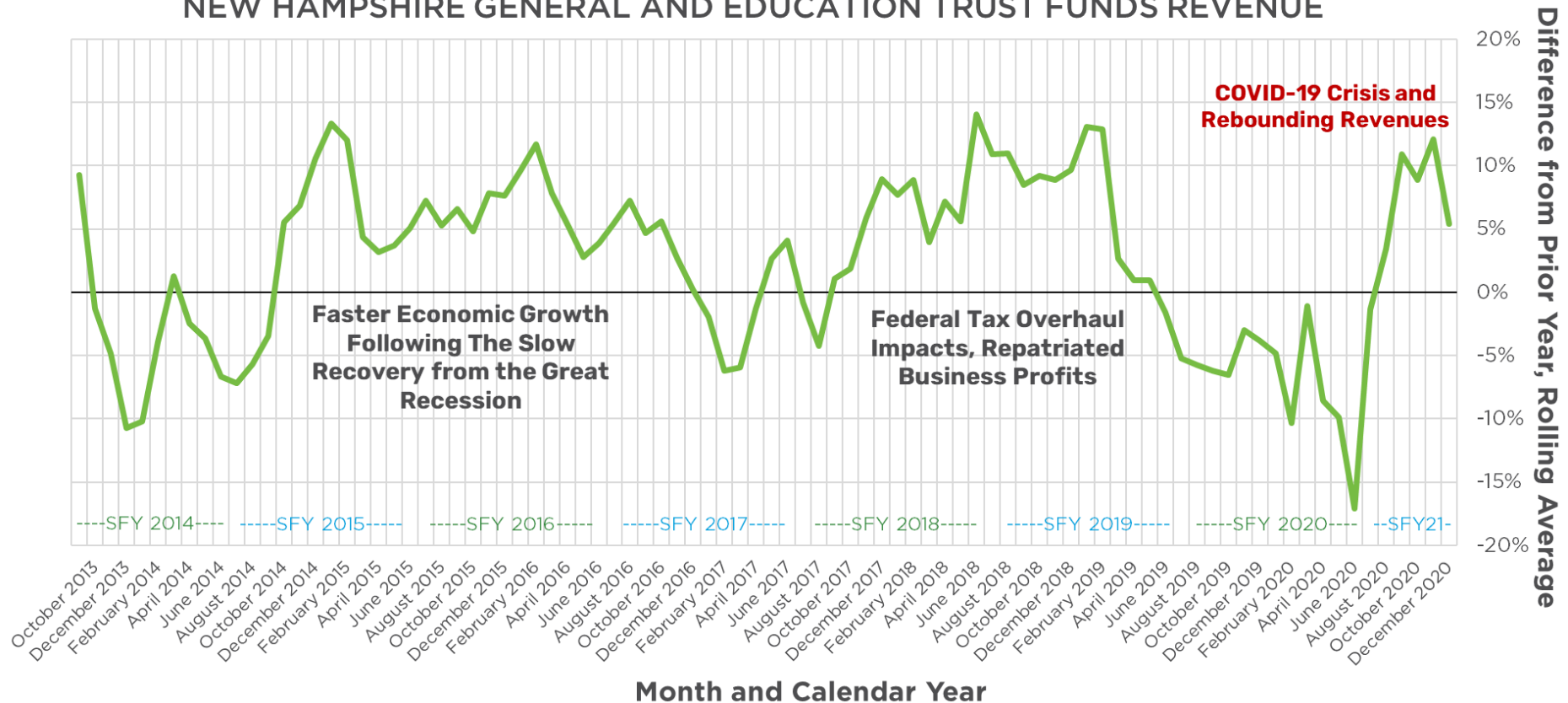


Note: Revenue from all sources, shown on a cash basis.

Source: New Hampshire Department of Administrative Services Monthly Revenue Focus Reports

# STATE REVENUES: DECLINE AND REBOUND IN CONTEXT

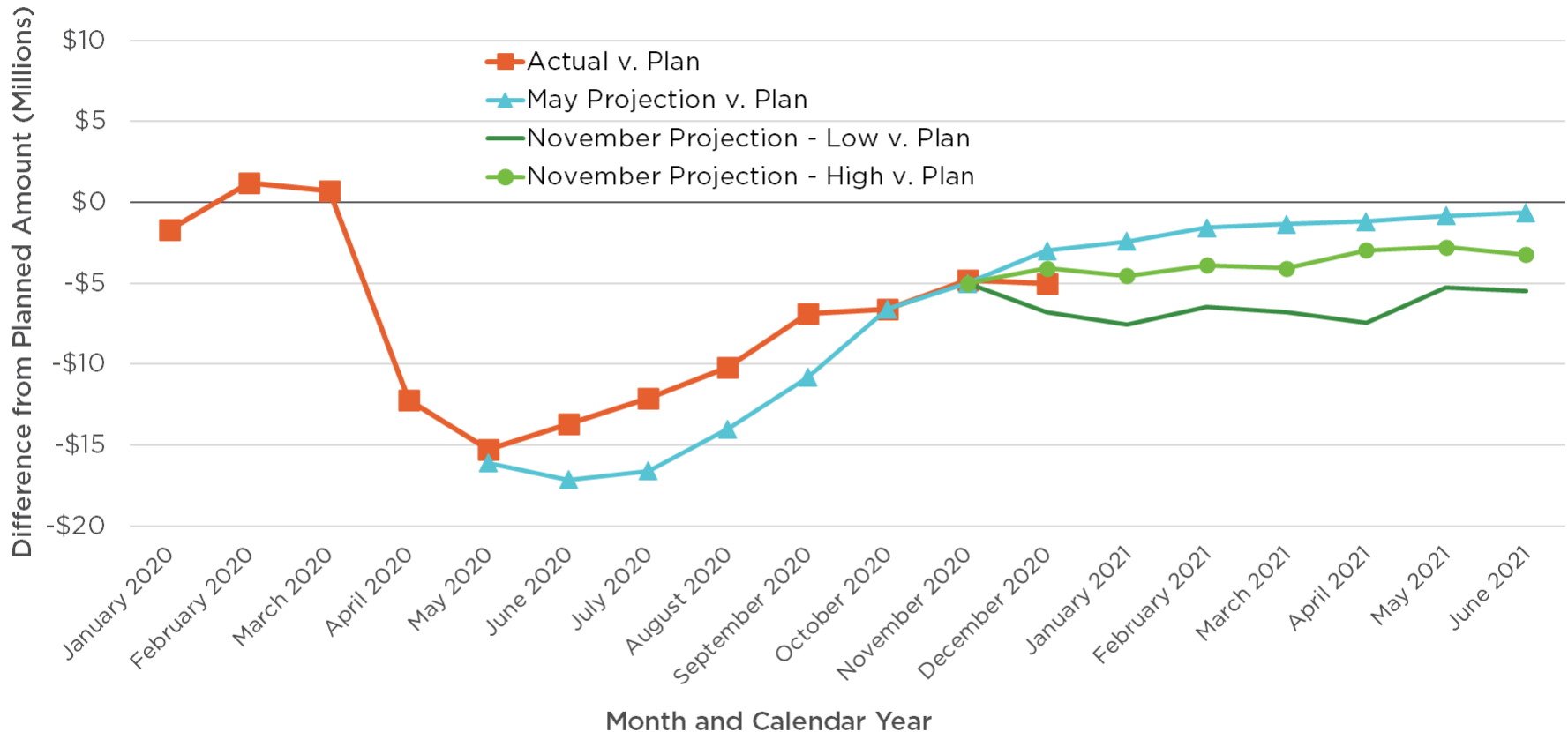
## ANNUAL CHANGE IN THREE-MONTH ROLLING AVERAGES OF NEW HAMPSHIRE GENERAL AND EDUCATION TRUST FUNDS REVENUE



Note: Medicaid Enhancement Tax excluded from historical data. Analysis of revenues on a cash basis.  
Sources: New Hampshire Department of Administrative Services Monthly Revenue Focus Reports

# STATE REVENUES: MEALS AND RENTALS UP, BUT STILL LOW

## NEW HAMPSHIRE MEALS AND RENTALS TAX ACTUAL AND PROJECTED MONTHLY CASH RECEIPTS

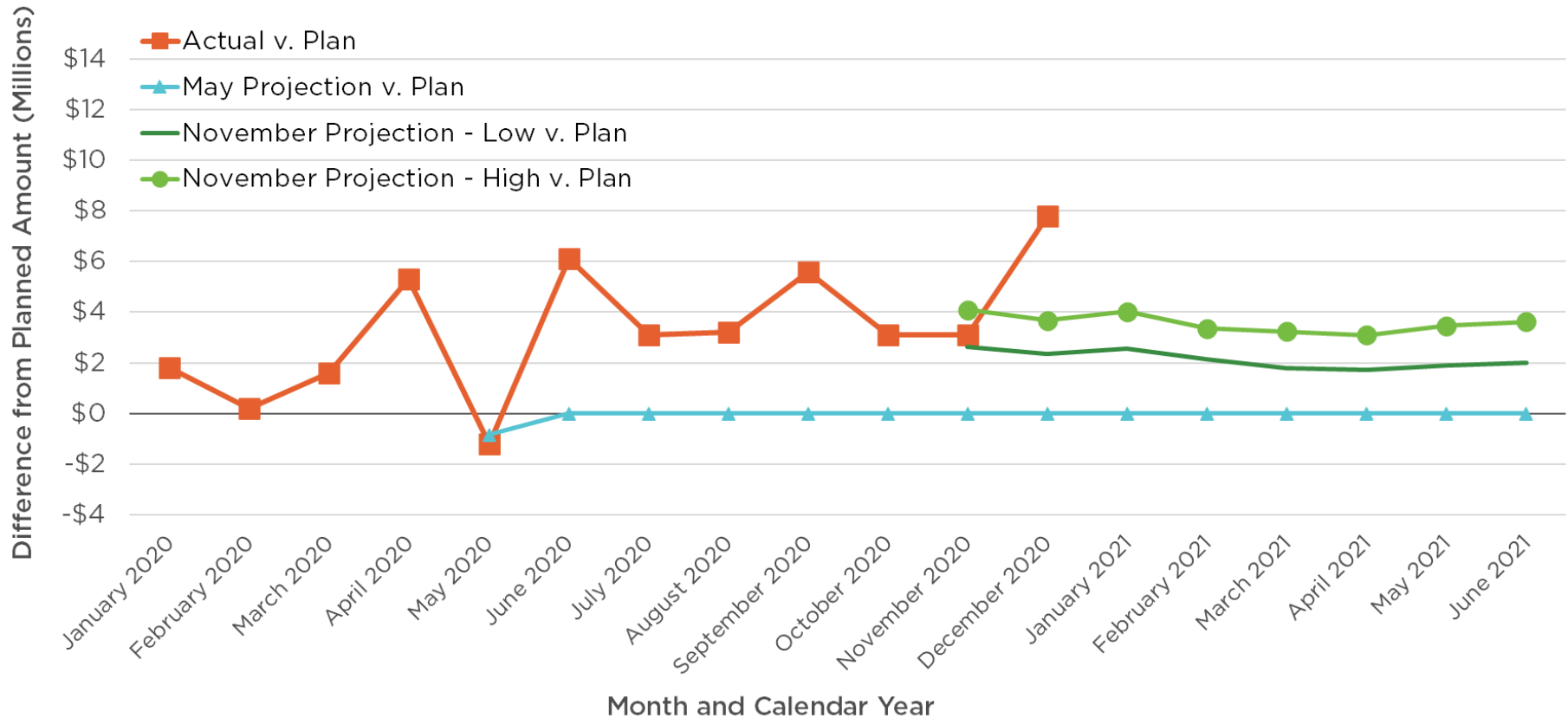


Note: Projected revenue calculations based on Department of Revenue Administration projections and Department of Administrative Services State Revenue Plan. Only includes actual and projected revenue to the General and Education Trust Funds.

Sources: New Hampshire Department of Revenue Administration; New Hampshire Department of Administrative Services

# STATE REVENUES: CIGARETTE SALES MUCH HIGHER

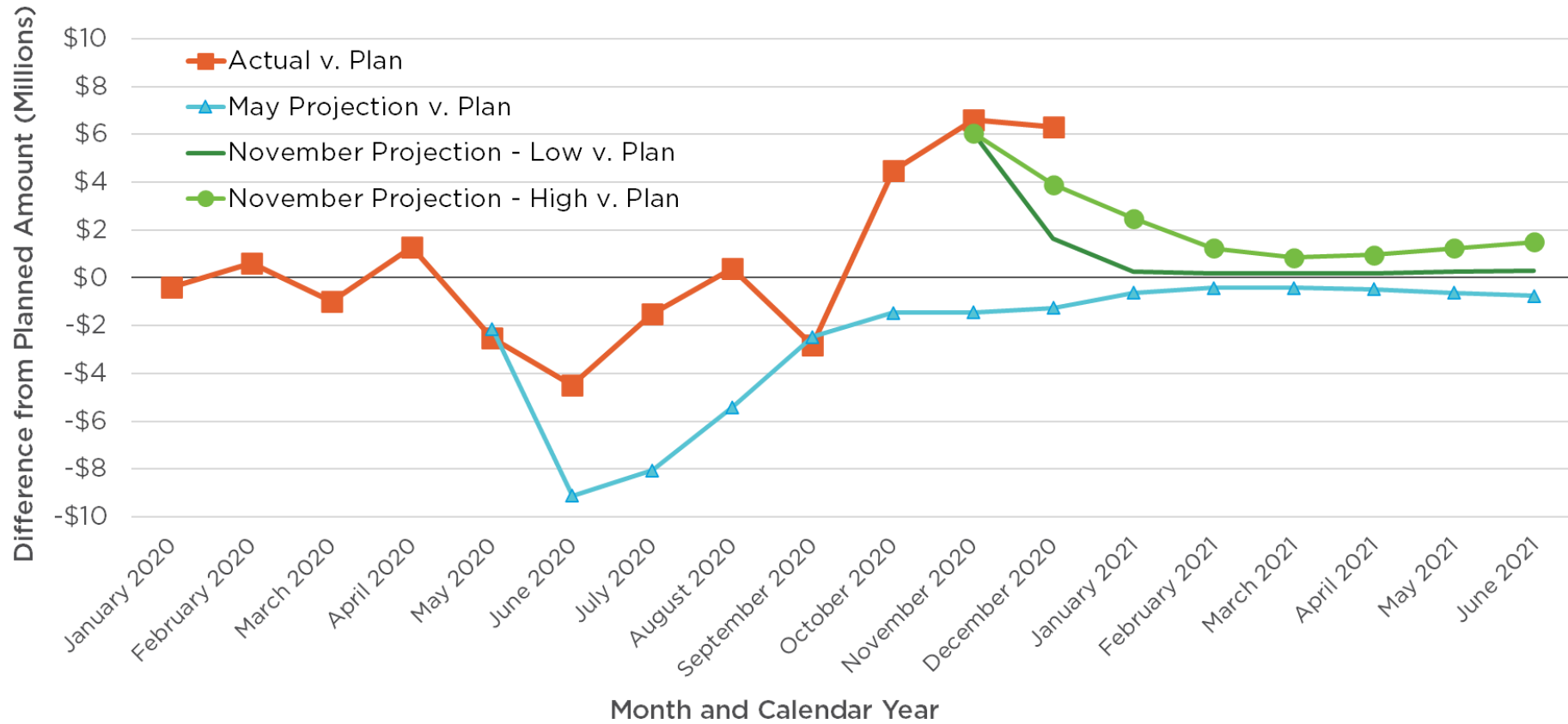
## NEW HAMPSHIRE TOBACCO TAX ACTUAL AND PROJECTED MONTHLY CASH RECEIPTS



Note: Projected revenue calculations based on Department of Revenue Administration projections and Department of Administrative Services State Revenue Plan.  
Sources: New Hampshire Department of Revenue Administration; New Hampshire Department of Administrative Services; Office of Legislative Budget Assistant.

# STATE REVENUES: REAL ESTATE SALES REBOUNDED

## NEW HAMPSHIRE REAL ESTATE TRANSFER TAX ACTUAL AND PROJECTED MONTHLY CASH RECEIPTS

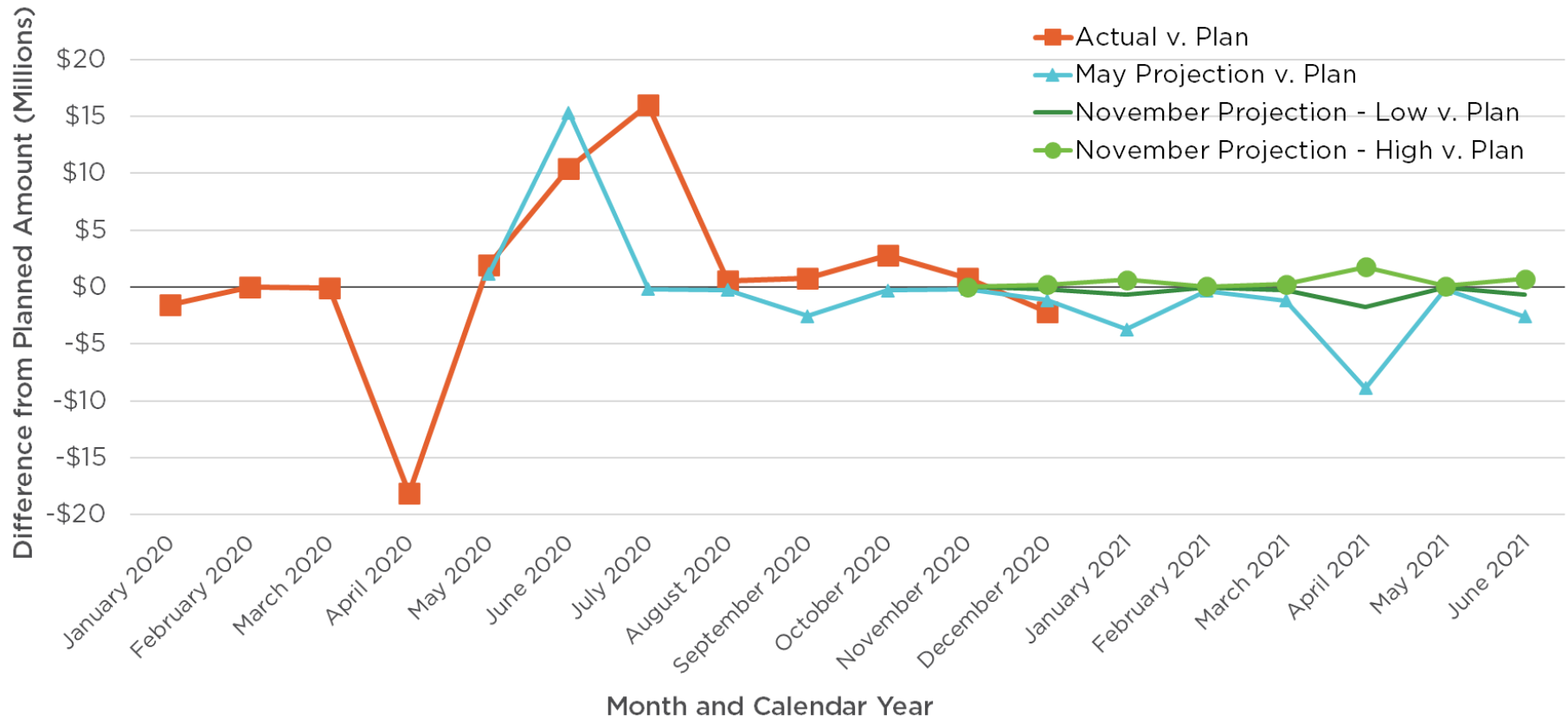


Note: Projected revenue calculations based on Department of Revenue Administration projections and Department of Administrative Services State Revenue Plan. Only includes actual and projected revenue to the General and Education Trust Funds.

Sources: New Hampshire Department of Revenue Administration; New Hampshire Department of Administrative Services

# STATE REVENUES: ASSET INCOMES ABOVE EXPECTATIONS

## NEW HAMPSHIRE INTEREST AND DIVIDENDS TAX ACTUAL AND PROJECTED MONTHLY CASH RECEIPTS

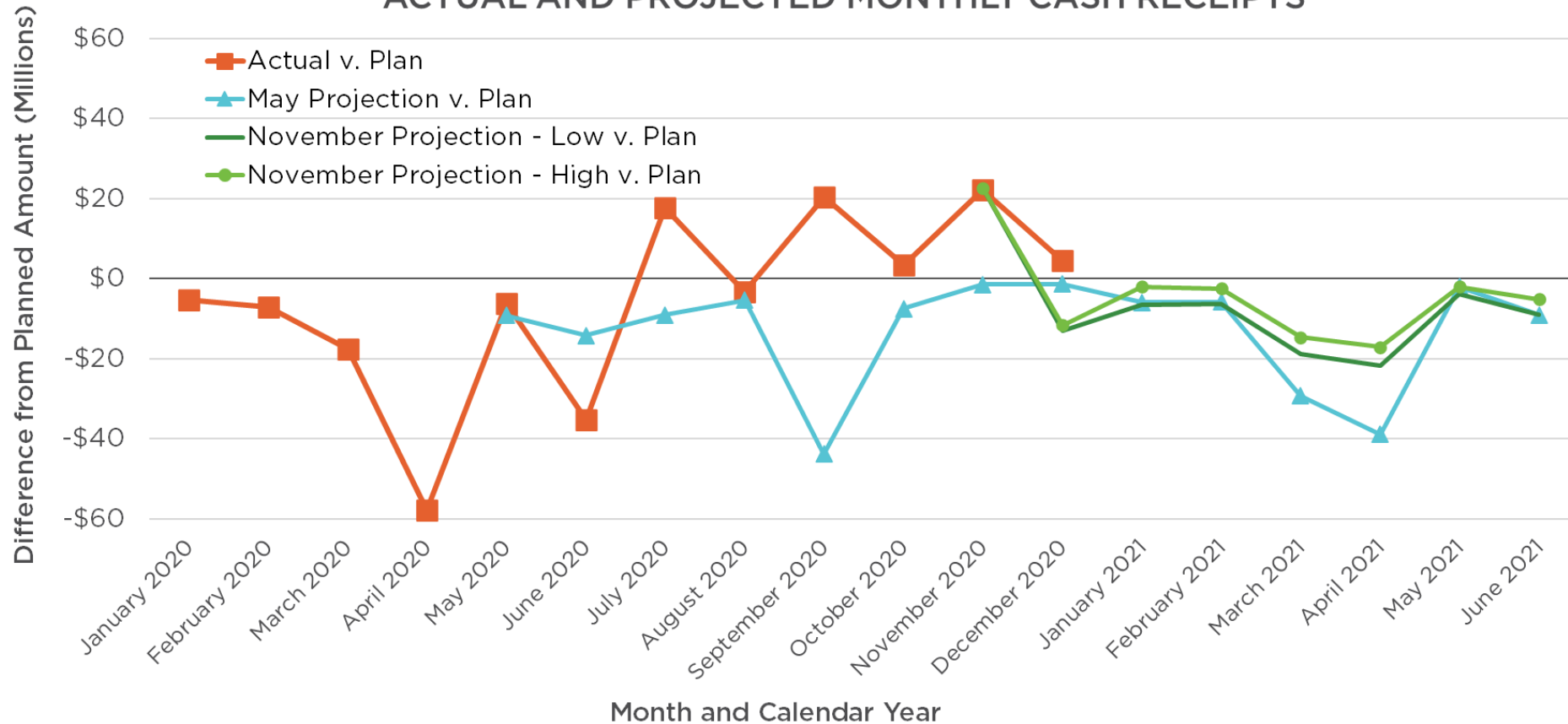


Note: Projected revenue calculations based on Department of Revenue Administration projections and Department of Administrative Services State Revenue Plan.  
Sources: New Hampshire Department of Revenue Administration; New Hampshire Department of Administrative Services; Office of Legislative Budget Assistant.



# STATE REVENUES: BUSINESS TAX RECEIPTS ADD TO SURPLUS

## NEW HAMPSHIRE BUSINESS PROFITS AND BUSINESS ENTERPRISE TAXES ACTUAL AND PROJECTED MONTHLY CASH RECEIPTS



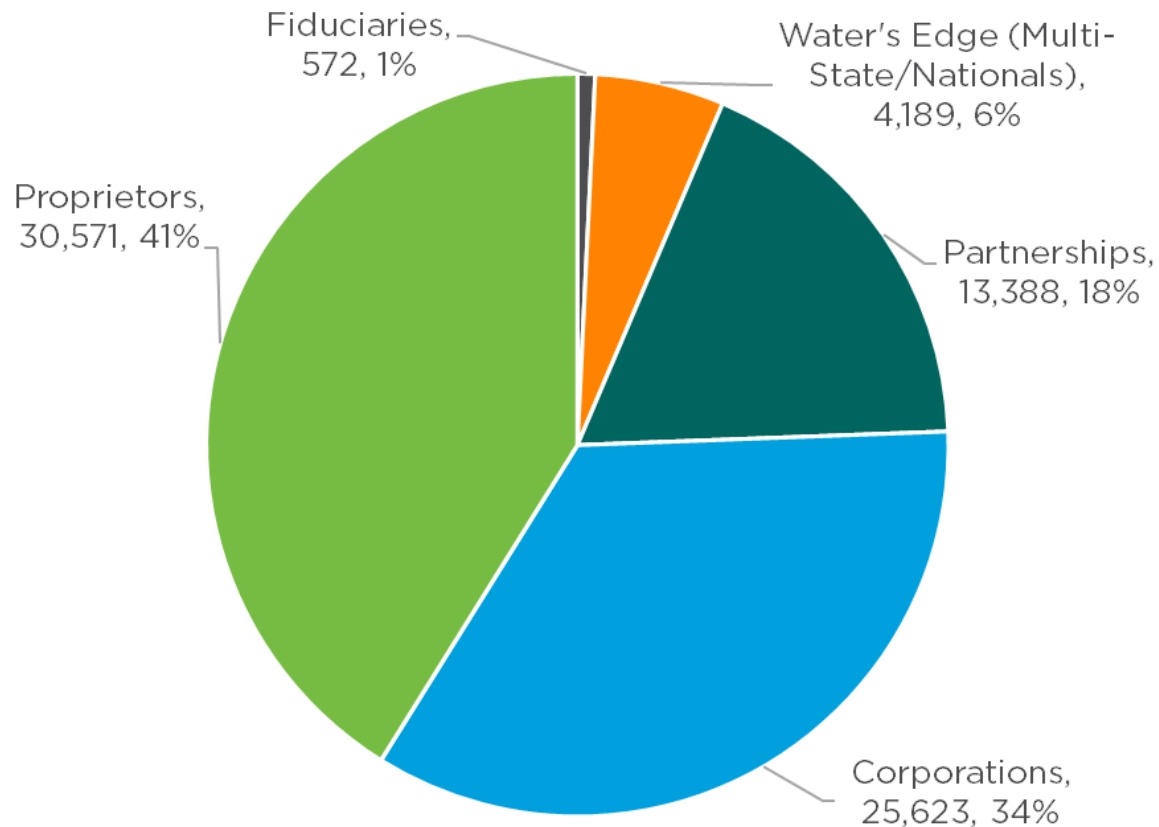
Note: Projected revenue calculations based on Department of Revenue Administration projections and Department of Administrative Services State Revenue Plan.  
Sources: New Hampshire Department of Revenue Administration; New Hampshire Department of Administrative Services

# STATE REVENUES: LARGE ENTITIES KEY TO BPT

NEW HAMPSHIRE BUSINESS PROFITS TAX FILERS BY INCOME AND TAX PAID, TAX YEAR 2018		
Taxable New Hampshire Business Profits of At Least:	Percentage of Filers	Percentage of Total Tax Revenue Paid
\$12,658,228	0.10%	49.10%
\$1,265,823	0.82%	78.28%
\$632,911	1.45%	84.54%
\$126,582	4.70%	94.32%
\$12,658	14.51%	99.59%
\$6,329	16.93%	99.85%
\$13	23.52%	100.00%
\$0	100.00%	100.00%
<b>Total Filers/Revenue</b>	<b>74,343</b>	<b>\$520,738,272</b>
Source: New Hampshire Department of Revenue Administration, 2020 Annual Report		

# STATE REVENUES: LARGE ENTITIES KEY TO BPT

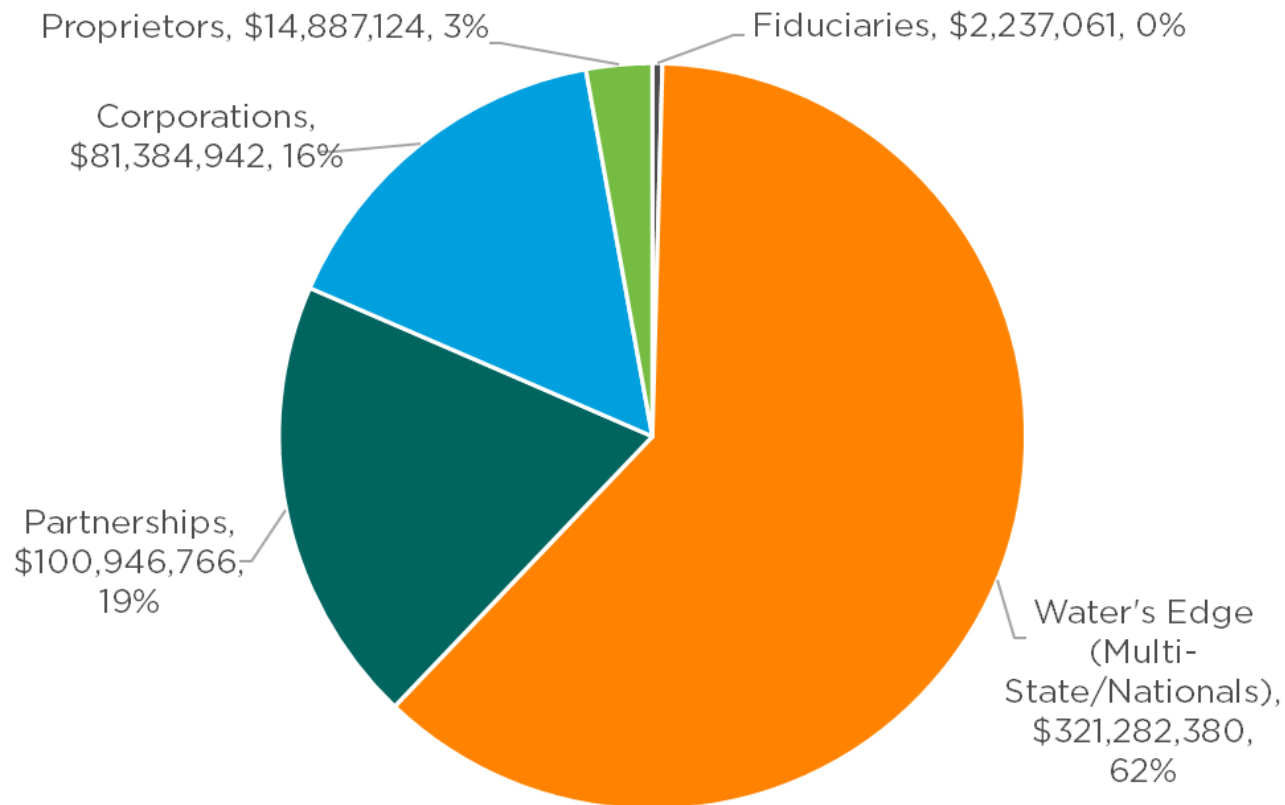
**BUSINESS PROFITS TAX FILERS BY TYPE**  
DRAFT DATA, TAX YEAR 2018



Source: New Hampshire Department of Revenue Administration, 2018 Annual Report

# STATE REVENUES: LARGE ENTITIES KEY TO BPT

## BUSINESS PROFITS TAX FILERS BY LIABILITY DRAFT DATA, TAX YEAR 2018



Source: New Hampshire Department of Revenue Administration, 2018 Annual Report

# STATE REVENUES: BROADER BASE FOR BET

NEW HAMPSHIRE BUSINESS ENTERPRISE TAX FILERS BY INCOME AND TAX PAID, TAX YEAR 2018		
Taxable Enterprise Value Tax Base* of At Least:	Percentage of Filers	Percentage of Total Tax Revenue Paid
\$148,148,148	0.02%	17.34%
\$14,814,814	0.36%	43.06%
\$7,407,407	0.81%	53.00%
\$1,481,481	4.04%	74.03%
\$148,148	27.47%	96.56%
\$74,074	38.05%	99.11%
\$148	51.80%	100.00%
\$0	100.00%	100.00%
<b>Total Filers/Revenue</b>	<b>74,343</b>	<b>\$230,544,164</b>
*Note: Taxable enterprise value tax base determined by amount of compensation and interest paid or accrued, dividends paid, and adjustments for interstate liabilities and certain dividends. Source: New Hampshire Department of Revenue Administration, 2020 Annual Report		

# STATE REVENUES: HIGH-INCOME INDIVIDUALS KEY TO I&D TAX

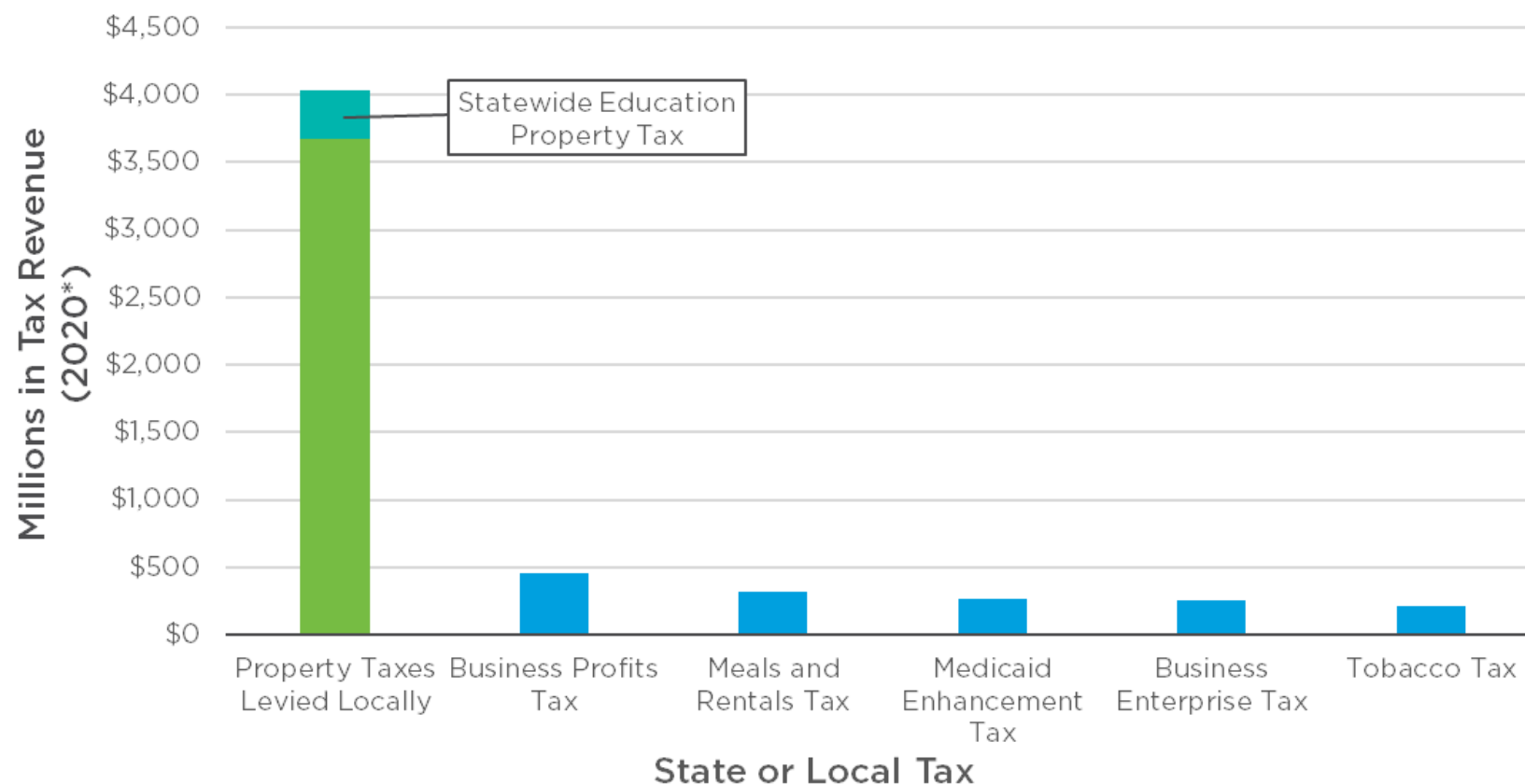
## NEW HAMPSHIRE INTEREST AND DIVIDENDS TAX FILERS BY INCOME AND TAX PAID, TAX YEAR 2018

Taxable Interest and Dividend Income of At Least:	Percentage of Filers	Percentage of Total Tax Revenue Paid
\$5,000,000	0.02%	6.69%
\$2,000,000	0.12%	15.93%
\$1,000,000	0.32%	24.10%
\$200,000	2.40%	48.99%
\$20,000	25.07%	89.04%
\$10,000	38.54%	95.09%
\$20	79.69%	100.00%
\$0	100.00%	100.00%
<b>Total Filers/Revenue</b>	<b>66,284</b>	<b>\$105,888,793</b>

Source: New Hampshire Department of Revenue Administration, 2020 Annual Report

# STATE AND LOCAL REVENUES: PROPERTY TAXES A KEY CONSIDERATION

## LARGEST STATE AND LOCAL TAXES IN NEW HAMPSHIRE



\*Note: Tax Year 2020 commitments used for property taxes. All other data for State Fiscal Year 2020.  
Sources: New Hampshire Comprehensive Annual Financial Report, State Fiscal Year 2020; New Hampshire Department of Revenue Administration, 2020 Annual Report and 2020 Tax Rates.

# REVENUES AND THE ECONOMY: QUESTIONS FOR THE FUTURE

- Will a more “regular” recession happen, and will it lead to a general slowdown in revenues?
- Will the sectors performing well continue to match New Hampshire’s state revenue sources?
- Does slower wage growth, as happened during the last recession, limit state revenues?
- Do long-term international trade impacts affect Business Profits Tax revenues?
- Do restaurants, other activity recover in commercial areas?
- What happens to both residential and commercial property values, and what are the implications for pressure on local property tax revenues?



# TAKEAWAYS

- Impact of the COVID-19 crisis was swift and massive
- Effects most severe on those with the fewest resources
- Stark, sectoral differences relative to a “regular” recession
- Federal assistance had a large, positive impact on the economy in 2020
- Tax revenues from businesses, tobacco products, real estate sales have done surprisingly well, but uneven impacts of the crisis clear in revenue streams
- Key state revenue sources rely on larger businesses, higher income earners, property markets and values
- Risk that uneven, slow wage growth and industry impacts hinder a robust, equitable, and sustainable recovery



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