NEW HAMPSHIRE’S ECONOMY, HOUSEHOLD FINANCES, AND STATE REVENUES

PRESENTED BY PHIL SLETSEN, 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).

Notes: Change in employment rates (not seasonally adjusted) indexed to January 4–31, 2020. This series is based on payroll data from Paychex and Intuit, worker-level data on employment and earnings from Earnin, and timesheet data from Kronos.

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

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

- **December 31, 2020:** 212,271 (+18.6% Since February 29, 2020)
- **February 29, 2020:** 178,930
- **September 30, 2019:** 175,653

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

- United States
- New Hampshire
- New England (remainder)

Index Value of Real GDP, 2006=100

Year


2.5% -0.4% -1.1% -0.8% 3.2% 0.6% 1.2% 0.7% 2.0% 2.8% 2.2% 1.7% 2.6% 1.4%

New Hampshire Real Gross State Product Change from Prior Year

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

<table>
<thead>
<tr>
<th>Percentile</th>
<th>Lower Wages</th>
<th>Higher Wages</th>
</tr>
</thead>
<tbody>
<tr>
<td>10th</td>
<td>$10.43</td>
<td>$48.93</td>
</tr>
<tr>
<td>20th</td>
<td>$12.69</td>
<td>$36.33</td>
</tr>
<tr>
<td>30th</td>
<td>$15.48</td>
<td>$29.11</td>
</tr>
<tr>
<td>40th</td>
<td>$17.88</td>
<td>$24.54</td>
</tr>
<tr>
<td>50th (Median)</td>
<td>$20.52</td>
<td></td>
</tr>
<tr>
<td>60th</td>
<td>$24.54</td>
<td></td>
</tr>
<tr>
<td>70th</td>
<td>$29.11</td>
<td></td>
</tr>
<tr>
<td>80th</td>
<td>$36.33</td>
<td></td>
</tr>
<tr>
<td>90th</td>
<td>$48.93</td>
<td></td>
</tr>
</tbody>
</table>

Relative Wage Percentiles and Corresponding 2017-2019 Hourly Wage Estimates

BEFORE THE CRISIS: LESS PURCHASING POWER IN LOW WAGES

INFLATION-ADJUSTED WAGES IN NEW HAMPSHIRE

Indexed Wages, 2005 = 100

Year


Notes: Inflation adjustment using Consumer Price Index-Urban-Research Series (current methods). Includes workers aged 16 years and older and all income from work.
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

MEDIAN HOUSEHOLD INCOME IN NEW HAMPSHIRE

Year of Data Collection

Note: Axis does not begin at zero.
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.

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

BEFORE THE CRISIS: HOUSEHOLDS FACED SIGNIFICANT COSTS

MASSACHUSETTS INSTITUTE OF TECHNOLOGY LIVING WAGE CALCULATOR
NEW HAMPSHIRE, 2018
TWO WORKING ADULTS, ONE CHILD: $58,160

- Taxes, $7,120
- Food, $7,933
- Other Necessities, $5,030
- Transportation, $8,341
- Housing, $13,761
- Child Care, $9,025
- Health Care, $6,950
- Transportation, $14,222

ECONOMIC POLICY INSTITUTE
FAMILY BUDGET CALCULATOR
MERRIMACK COUNTY, NEW HAMPSHIRE, 2018
TWO ADULTS, ONE CHILD: $69,718

- Taxes, $8,327
- Food, $8,133
- Other Necessities, $8,713
- Child Care, $8,629
- Housing, $13,464
- Health Care, $8,230
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

Iteration of Revenue Projection

New Hampshire General and Education Trust Funds

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

Month of Calendar Year 2020

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

- **Faster Economic Growth Following The Slow Recovery from the Great Recession**
- **Federal Tax Overhaul Impacts, Repatriated Business Profits**

**COVID-19 Crisis and Rebounding Revenues**

Month and Calendar Year

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

NEW HAMPSHIRE FISCAL POLICY INSTITUTE
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
### New Hampshire Business Profits Tax Filers by Income and Tax Paid, Tax Year 2018

<table>
<thead>
<tr>
<th>Taxable New Hampshire Business Profits of At Least:</th>
<th>Percentage of Filers</th>
<th>Percentage of Total Tax Revenue Paid</th>
</tr>
</thead>
<tbody>
<tr>
<td>$12,658,228</td>
<td>0.10%</td>
<td>49.10%</td>
</tr>
<tr>
<td>$1,265,823</td>
<td>0.82%</td>
<td>78.28%</td>
</tr>
<tr>
<td>$632,911</td>
<td>1.45%</td>
<td>84.54%</td>
</tr>
<tr>
<td>$126,582</td>
<td>4.70%</td>
<td>94.32%</td>
</tr>
<tr>
<td>$12,658</td>
<td>14.51%</td>
<td>99.59%</td>
</tr>
<tr>
<td>$6,329</td>
<td>16.93%</td>
<td>99.85%</td>
</tr>
<tr>
<td>$13</td>
<td>23.52%</td>
<td>100.00%</td>
</tr>
<tr>
<td>$0</td>
<td>100.00%</td>
<td>100.00%</td>
</tr>
<tr>
<td><strong>Total Filers/Revenue</strong></td>
<td><strong>74,343</strong></td>
<td><strong>$520,738,272</strong></td>
</tr>
</tbody>
</table>

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

- Proprietors, 30,571, 41%
- Corporations, 25,623, 34%
- Partnerships, 13,388, 18%
- Water’s Edge (Multi-State/Nationals), 4,189, 6%
- Fiduciaries, 572, 1%

Source: New Hampshire Department of Revenue Administration, 2018 Annual Report
STATE REVENUES: LARGE ENTITIES KEY TO BPT

BUSINESS PROFITS TAX FILEERS BY LIABILITY
DRAFT DATA, TAX YEAR 2018

- Corporations, $81,384,942, 16%
- Partnerships, $100,946,766, 19%
- Water's Edge (Multi-State/Nationals), $321,282,380, 62%
- Proprietors, $14,887,124, 3%
- Fiduciaries, $2,237,061, 0%

Source: New Hampshire Department of Revenue Administration, 2018 Annual Report
## New Hampshire Business Enterprise Tax

### Filers by Income and Tax Paid, Tax Year 2018

<table>
<thead>
<tr>
<th>Taxable Enterprise Value Tax Base* of At Least:</th>
<th>Percentage of Filers</th>
<th>Percentage of Total Tax Revenue Paid</th>
</tr>
</thead>
<tbody>
<tr>
<td>$148,148,148</td>
<td>0.02%</td>
<td>17.34%</td>
</tr>
<tr>
<td>$14,814,814</td>
<td>0.36%</td>
<td>43.06%</td>
</tr>
<tr>
<td>$7,407,407</td>
<td>0.81%</td>
<td>53.00%</td>
</tr>
<tr>
<td>$1,481,481</td>
<td>4.04%</td>
<td>74.03%</td>
</tr>
<tr>
<td>$148,148</td>
<td>27.47%</td>
<td>96.56%</td>
</tr>
<tr>
<td>$74,074</td>
<td>38.05%</td>
<td>99.11%</td>
</tr>
<tr>
<td>$148</td>
<td>51.80%</td>
<td>100.00%</td>
</tr>
<tr>
<td>$0</td>
<td>100.00%</td>
<td>100.00%</td>
</tr>
<tr>
<td><strong>Total Filers/Revenue</strong></td>
<td><strong>74,343</strong></td>
<td><strong>$230,544,164</strong></td>
</tr>
</tbody>
</table>

*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

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

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

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
ADDRESS: 100 North Main Street, Suite 400, Concord, NH 03301

PHONE: 603.856.8337

WEBSITE: www.nhfpi.org

EMAIL: info@nhfpi.org

TWITTER: @NHFPI

FACEBOOK: NewHampshireFiscalPolicyInstitute