THE NEW HAMPSHIRE ECONOMY IN 2021 AND 2022

PRESENTED BY PHIL SLETTEN, SENIOR POLICY ANALYST

JOINT ECONOMIC BRIEFING

NEW HAMPSHIRE HOUSE OF REPRESENTATIVES AND SENATE
WAYS AND MEANS AND FINANCE COMMITTEES

MARCH 4, 2022
KEY TAKEAWAYS

• Economy has recovered from the early period of the COVID-19 crisis, but the recovery has been uneven
• Federal assistance provided significant economic stimulus, mitigated poverty, and boosted incomes in 2021
• Workforce constraints on New Hampshire’s economy stem from health and child care limitations, long-term trends
• Inflation may be temporary due to rapid changes in spending on goods and services
• Impacts on household budgets as inflation outpaced median wage growth in 2021
• Significant opportunities for the State to help build an equitable, inclusive recovery with available federal resources
PART 1: HOW HAS NEW HAMPSHIRE’S ECONOMY CHANGED?
STATE ECONOMY RECOVERING, BUT
EMPLOYMENT REMAINS LOWER

NEW HAMPSHIRE’S ECONOMY AND EMPLOYMENT
Inflation-Adjusted Quarterly Gross State Product and Three-Month Averages of Employment

Sources: U.S. Bureau of Economic Analysis, New Hampshire Employment Security

NEW HAMPSHIRE FISCAL POLICY INSTITUTE
REAL ESTATE, PHYSICAL GOODS SALES GROWING IN MOST RECENT DATA

CHANGES IN NEW HAMPSHIRE GROSS STATE PRODUCT BY INDUSTRY
Change from Quarters 2 and 3 of 2019 to Quarters 2 and 3 of 2021, Unadjusted for Inflation

Private Sector Industry
Note: Industry names altered slightly from official data.
Source: U.S. Bureau of Economic Analysis
EMPLOYMENT SHIFTS BY INDUSTRY SHOW UNEVEN PACE OF RECOVERY

CHANGES IN ESTIMATED NUMBERS OF JOBS BY SELECTED INDUSTRY
New Hampshire, Unbenchmarked December 2021 Preliminary Estimates Compared to Benchmarked December 2019 and December 2020 Estimates, Seasonally Adjusted

Change in Number of Jobs

-6,000 -4,000 -2,000 0 2,000 4,000 6,000 8,000 10,000

Manufacturing Education Services Retail Trade Health Care and Social Assistance Accommodation and Food Services Wholesale Trade Arts, Entertainment, Recreation Real Estate, Rental, and Leasing Information Administrative Support/Waste Services Construction Management of Companies Finance and Insurance Professional, Scientific, and Technical Services Transportation, Warehousing, and Utilities

Selected Industry
Note: Industry names altered slightly from official data.
Source: New Hampshire Employment Security
RECOVERY’S PROGRESS DIFFERS BY COUNTY

CHANGES IN JOBS BY NEW HAMPSHIRE COUNTY
Change from January-September 2019 Average to January-September 2021 Average

<table>
<thead>
<tr>
<th>New Hampshire County</th>
<th>Change in Average Number of Jobs</th>
<th>Percentage Change in Average Number of Jobs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Belknap</td>
<td>-12,000</td>
<td>-8%</td>
</tr>
<tr>
<td>Carroll</td>
<td>-10,000</td>
<td>-7%</td>
</tr>
<tr>
<td>Cheshire</td>
<td>-9,000</td>
<td>-6%</td>
</tr>
<tr>
<td>Coos</td>
<td>-6,000</td>
<td>-4%</td>
</tr>
<tr>
<td>Grafton</td>
<td>-4,000</td>
<td>-3%</td>
</tr>
<tr>
<td>Hillsborough</td>
<td>-2,000</td>
<td>-2%</td>
</tr>
<tr>
<td>Merrimack</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>Rockingham</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>Strafford</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>Sullivan</td>
<td>0</td>
<td>0%</td>
</tr>
</tbody>
</table>

PART 2: THE STATE ECONOMY’S EVOLUTION, EXPLAINED THROUGH THE ANSWERS TO QUESTIONS FROM JANUARY 2021
KEY QUESTIONS FOR THE ECONOMY FROM JANUARY 2021

• 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?
WILL WORKERS BE ABLE TO REJOIN THE WORKFORCE EFFICIENTLY?
TOTAL WORKFORCE SIZE REMAINS BELOW PRE-PANDEMIC LEVELS

NEW HAMPSHIRE RESIDENTS EMPLOYED AND UNEMPLOYED WHILE ACTIVELY SEEKING WORK

PANDEMIC MAY HAVE ACCELERATED A LONG-TERM DECLINE

NEW HAMPSHIRE’S LABOR FORCE SIZE AND PARTICIPATION RATE
Twelve-Month Rolling Average, 2000-2021

OLDER AND YOUNGER ADULTS MORE LIKELY TO HAVE LEFT LABOR FORCE

CHANGE IN LABOR FORCE PARTICIPATION RATES BY AGE
New Hampshire, Change from 2019 to 2021

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Participation Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age 16 to 19</td>
<td>-2.3%</td>
</tr>
<tr>
<td>Age 20 to 24</td>
<td>-1.7%</td>
</tr>
<tr>
<td>Age 25 to 34</td>
<td>-3.1%</td>
</tr>
<tr>
<td>Age 35 to 44</td>
<td>-0.4%</td>
</tr>
<tr>
<td>Age 45 to 54</td>
<td>-1.2%</td>
</tr>
<tr>
<td>Age 55 to 64</td>
<td>-3.5%</td>
</tr>
<tr>
<td>Age 65 to 74</td>
<td>-3.5%</td>
</tr>
<tr>
<td>Age 75 and over</td>
<td>1.1%</td>
</tr>
</tbody>
</table>

Source: New Hampshire Employment Security
OLDER ADULTS APPEAR TO BE LESS LIKELY TO BE SEEKING EMPLOYMENT

ESTIMATED NUMBER OF NEW HAMPSHIRE RESIDENTS WHO DO NOT WANT A JOB NOW

By Age Group, Twelve-Month Averages from Current Population Survey

Source: New Hampshire Employment Security
LONG-TERM TRENDS LIKELY DRIVEN BY AGE STRUCTURE OF STATE POPULATION

NEW HAMPSHIRE DEMOGRAPHICS BY AGE, 2019

Source: U.S. Census Bureau Population Estimates Program, July 1 Estimates
LONG-TERM TRENDS LIKELY DRIVEN BY AGE STRUCTURE OF STATE POPULATION

NEW HAMPSHIRE DEMOGRAPHICS BY AGE, 2019

Source: U.S. Census Bureau Population Estimates Program, July 1 Estimates
LONG-TERM TRENDS LIKELY DRIVEN BY AGE STRUCTURE OF STATE POPULATION

NEW HAMPSHIRE DEMOGRAPHICS BY AGE, 2019

Source: U.S. Census Bureau Population Estimates Program, July 1 Estimates
ILLNESS OR DISABILITY, LACK OF CHILD CARE TOP REASONS FOR NOT WORKING

STATED REASONS FOR NOT WORKING

Based on Surveys of New Hampshire Adults,
July 21, 2021-October 11, 2021 and December 1, 2021-February 7, 2022
Excluding Respondents who are Working, Identified as Retired (Half of People Not Working), Gave Uncategorized Reason

<table>
<thead>
<tr>
<th>Reason Provided</th>
<th>Percentage Identifying Reason</th>
</tr>
</thead>
<tbody>
<tr>
<td>I did not have transportation to work</td>
<td>0%</td>
</tr>
<tr>
<td>My employer closed temporarily due to the coronavirus pandemic</td>
<td>1%</td>
</tr>
<tr>
<td>My employer went out of business due to the coronavirus pandemic</td>
<td>2%</td>
</tr>
<tr>
<td>I was caring for an elderly person</td>
<td>3%</td>
</tr>
<tr>
<td>I was concerned about getting or spreading the coronavirus</td>
<td>4%</td>
</tr>
<tr>
<td>I was laid off or furloughed due to coronavirus pandemic</td>
<td>5%</td>
</tr>
<tr>
<td>I was caring for someone sick with coronavirus symptoms</td>
<td>6%</td>
</tr>
<tr>
<td>I did not want to be employed at this time</td>
<td>7%</td>
</tr>
<tr>
<td>I was caring for children not in school or daycare</td>
<td>6%</td>
</tr>
<tr>
<td>I was sick (not coronavirus related) or disabled</td>
<td>7%</td>
</tr>
</tbody>
</table>

Source: U.S. Census Bureau, Household Pulse Survey. Note: Insufficient data cells assumed to be zero for purposes of averages.
WILL EMPLOYMENT INCOME LOSSES LEAD TO A MORE “REGULAR” RECESSION, OR WILL RECOVERY HAPPEN MORE QUICKLY?
EMPLOYMENT GROWTH SLOWING FROM PANDEMIC, OTHER CONSTRAINTS

CHANGES IN EMPLOYMENT IN NEW HAMPSHIRE, TWO DIFFERENT MEASURES

Month and Year

Employment

Source: New Hampshire Employment Security, GraniteStats
INFLATION RISK, WITH ECONOMY STILL UNSETTLED BY TEMPORARY FACTORS

SPENDING ON GOODS AND SERVICES

Inflation-Adjusted Personal Consumption Expenditures (PCE), United States

Note: Durable goods include longer-lasting products, such as vehicles and household furnishings, while nondurable goods include more temporary products such as groceries, clothing, and gasoline. Inflation adjustment to chained 2012 dollars.

Source: U.S. Bureau of Economic Analysis, February 28, 2022
SHIFTS IN HOUSEHOLD EXPENDITURES IN NEW HAMPSHIRE

CHANGES IN SPENDING ON GOODS AND SERVICES PER PERSON IN NEW HAMPSHIRE, 2019-2020

*Personal Consumption Expenditures (PCE)*

<table>
<thead>
<tr>
<th>Type of Expenditure</th>
<th>Changes in Expenditures Per Person</th>
</tr>
</thead>
<tbody>
<tr>
<td>Durable Goods</td>
<td>$607</td>
</tr>
<tr>
<td>Nondurable Goods</td>
<td>$206</td>
</tr>
<tr>
<td>Services</td>
<td>-$1,778</td>
</tr>
</tbody>
</table>

Note: Durable goods include longer-lasting products, such as vehicles and household furnishings, while nondurable goods include more temporary products such as groceries, clothing, and gasoline. Inflation adjustment to chained 2012 dollars.

Source: U.S. Bureau of Economic Analysis
HOUSING SUPPLY AND COSTS A CRITICAL CONSTRAINT IN NEW HAMPSHIRE

HOUSE AND CONDO PRICES AND SUPPLY

New Hampshire Single Family Home and Condo Median Sale Prices and Months of Inventory, Twelve Month Rolling Averages

Source: New Hampshire Association of Realtors, January 2022
RENTAL COSTS REMAIN ON LONG-TERM UPWARD TRENDS, LIMITED SUPPLY

**Median Monthly Rental Costs and Vacancy Rates**

*New Hampshire Statewide Data, Two Bedroom Apartments*

- **Rental Vacancy Rate**
- **Median Monthly Rent and Utility Cost**

**Median Monthly Rent and Utilities, Two Bedroom Apartment**

<table>
<thead>
<tr>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>$0</td>
<td>$1,400</td>
<td>$1,200</td>
<td>$1,000</td>
<td>$800</td>
<td>$600</td>
<td>$400</td>
<td>$200</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
</tbody>
</table>

**Year**

- 2011
- 2012
- 2013
- 2014
- 2015
- 2016
- 2017
- 2018
- 2019
- 2020
- 2021

**Vacancy Rate**

- 4.0%
- 3.5%
- 3.0%
- 2.5%
- 2.0%
- 1.5%
- 1.0%
- 0.5%
- 0.0%

Source: New Hampshire Housing Finance Authority

NEW HAMPSHIRE FISCAL POLICY INSTITUTE
CONTINUED DIRECT IMPACTS OF VIRUS, CHILD CARE ACCESS SLOW RECOVERY

CHILD CARE DISRUPTIONS FOR YOUNG CHILDREN
Percentage of New Hampshire Adults in Households Where Children Under 5 Were Unable to Attend Child Care Arrangements in the Last 4 Weeks

- Experienced Child Care Disruptions: 37%
- Did Not Indicate Experiencing Disruptions, or Had No Response: 63%

WILL THERE BE SUFFICIENT TRAINING OR EDUCATION OPPORTUNITIES TO PREPARE PEOPLE TO ENTER A POST-PANDEMIC ECONOMY?
INCOMES RISE WITH EDUCATIONAL ATTAINMENT FOR GRANITE STATE ADULTS

EDUCATIONAL ATTAINMENT IN NEW HAMPSHIRE
Age 25 Years and Older, 2019 Estimates with Median Annual Incomes

- High School or Equivalent: 28% ($38k)
- Bachelor’s Degree: 23% ($61k)
- Graduate or Professional Degree: 14% ($72k)
- No High School Diploma: 7% ($30k)
- Some College, No Degree: 18% ($42k*)
- Associate’s Degree: 10% ($42k*)

*Note: The U.S. Census Bureau does not calculate separate measures for median incomes for individuals with “Some College, No Degree” and “Associate’s Degree” in published tables for New Hampshire.
Source: U.S. Census Bureau, American Community Survey, 2019 One-Year Data
FEWER CHILDREN IN PUBLIC SCHOOL REFLECTS DEMOGRAPHICS, PANDEMIC

NEW HAMPSHIRE STUDENT ENROLLMENT
Statewide Enrollments in Public Schools, October Enrollment Counts

Note: Enrollments include public district schools, public academies, joint maintenance agreements and public charter schools
Sources: New Hampshire Department of Education, Enrollments/County Enrollments by Grade Reports, 2007 through 2022
EDUCATION OPPORTUNITIES FOR YOUNG AND OLDER KEY FOR FUTURE ECONOMY

NEW HAMPSHIRE SAW LARGEST PERCENTAGE REDUCTION IN NUMBER OF CHILDREN IN ANY STATE, 2010-2020

Change in Population Under 18 Years Old by U.S. State

Source: U.S. Census Bureau, Population Under Age 18 Declined Last Decade, August 12, 2021
WILL WAGES GROW MEANINGFULLY?
IN THE LAST RECOVERY, REAL WAGES DID NOT GROW FOR MANY WORKERS

NEW HAMPSHIRE WAGE CHANGES BY DECILE
Change from 2004-2006 to 2017-2019 Averages

Percentage Change in Real Wages

< Lower Wages  Higher Wages >

10th 20th 30th 40th 50th (Median) 60th 70th 80th 90th

$10.43 $12.69 $15.48 $17.88 $20.52 $24.54 $29.11 $36.33 $48.93

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, all income from work.
WORKERS WITH LOW WAGES HIT THE HARDEST IN PANDEMIC’S FIRST YEAR

PERCENT CHANGE IN EMPLOYMENT IN NEW HAMPSHIRE

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.

EMPLOYMENT BEFORE THE CRISIS

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.
WAGES OUTPACED INFLATION EARLY, MORE LIMITED GROWTH IN KEY SECTORS

AVERAGE WEEKLY WAGE GROWTH IN NEW HAMPSHIRE, JANUARY-JUNE 2019 TO JANUARY-JUNE 2021

- Nominal Wage Growth
- Real (Inflation-Adjusted) Wage Growth

<table>
<thead>
<tr>
<th>Industry</th>
<th>Average Weekly Wage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>$1,332</td>
</tr>
<tr>
<td>Health Care and Social Assistance</td>
<td>$1,165</td>
</tr>
<tr>
<td>Retail Trade</td>
<td>$722</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>$1,455</td>
</tr>
<tr>
<td>Educational Services</td>
<td>$1,187</td>
</tr>
<tr>
<td>Accommodation and Food Services</td>
<td>$467</td>
</tr>
</tbody>
</table>

Jan-Jun 2021 Average Weekly Wage

- Note: Average of quarterly weekly wages used to construct half-year estimates. Inflation-adjustment based on the CPI-U, Northeast.
RECENT ESTIMATES SUGGEST REAL MEDIAN WAGES DID NOT GROW IN 2021

INFLATION-ADJUSTED CHANGES IN MEDIAN WAGES, 2021 MONTHLY ESTIMATES FOR NEW HAMPSHIRE

- Total Private
- Professional and Business Services
- Trade, Transportation, and Utilities
- Leisure and Hospitality
- Manufacturing
- Educational and Health Services

Month and Year:
- Jan 2021
- Feb 2021
- Mar 2021
- Apr 2021
- May 2021
- Jun 2021
- Jul 2021
- Aug 2021
- Sep 2021
- Oct 2021
- Nov 2021
- Dec 2021

COSTS OUTPACING INCOME INCREASES FOR MANY NEW HAMPSHIRE HOUSEHOLDS

MASSACHUSETTS INSTITUTE OF TECHNOLOGY LIVING WAGE CALCULATOR
New Hampshire, 2020-2021

TWO WORKING ADULTS, ONE CHILD: $68,104

- Taxes, $9,500
- Child Care, $9,300
- Medical, $7,561
- Transportation, $9,889
- Civic Engagement, $3,341
- Other Necessities, $5,514
- Food, $8,406
- Housing, $14,592
HOW WILL FEDERAL ACTION SUPPORT THE ECONOMY AND THE ABILITY OF INDIVIDUALS AND FAMILIES TO MAKE ENDS MEET?
FEDERAL POLICY RESPONSE SIGNIFICANT, REDUCED HARDSHIP IN 2021

PERCENTAGE OF ADULTS LIVING IN HOUSEHOLDS WHERE IT HAS BEEN SOMEWHAT OR VERY DIFFICULT TO PAY FOR USUAL HOUSEHOLD EXPENSES DURING THE LAST SEVEN DAYS IN NEW HAMPSHIRE

Survey Period (Years 2020-2022)
Note: Margin of error bars represent 90 percent confidence intervals
POLICY RESPONSE TO PANDEMIC APPEARED TO LIMIT POVERTY

ESTIMATED MONTHLY U.S. POVERTY RATE AND SUPPLEMENTAL POVERTY MEASURE, WITH AND WITHOUT PANDEMIC LEGISLATION

Note: Axis does not begin at zero.


POLICY RESPONSE TO PANDEMIC APPEARED TO LIMIT POVERTY

ESTIMATED MONTHLY U.S. POVERTY RATE AND SUPPLEMENTAL POVERTY MEASURE, WITH AND WITHOUT PANDEMIC LEGISLATION

Note: Axis does not begin at zero.


NEW HAMPSHIRE FISCAL POLICY INSTITUTE
POLICY RESPONSE TO PANDEMIC APPEARED TO LIMIT POVERTY

ESTIMATED MONTHLY U.S. POVERTY RATE AND SUPPLEMENTAL POVERTY MEASURE, WITH AND WITHOUT PANDEMIC LEGISLATION

- Estimated Supplemental Poverty Rate Without Pandemic-Related Assistance (Columbia University)
- Estimated Supplemental Poverty Rate (Columbia University)
- Estimated Traditional Poverty Rate (University of Chicago)

Note: Axes do not begin at zero.


FEDERAL FISCAL STIMULUS WAS EFFECTIVE

RETURNS ON INVESTMENT FROM CERTAIN POLICIES

*Fiscal Stimulus Multipliers, 2021*

<table>
<thead>
<tr>
<th>Selected Policy Change Analyzed</th>
<th>Economic Growth Per $1 Invested</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supplemental Nutrition Assistance Program Benefits</td>
<td>$1.61</td>
</tr>
<tr>
<td>Supplemental Unemployment Insurance</td>
<td>$1.49</td>
</tr>
<tr>
<td>Work-Share Unemployment Insurance</td>
<td>$1.37</td>
</tr>
<tr>
<td>Aid to State and Local Governments</td>
<td>$1.34</td>
</tr>
<tr>
<td>Low Income Home Energy Assistance Program (LIHEAP)</td>
<td>$1.31</td>
</tr>
<tr>
<td>Transportation Infrastructure Spending</td>
<td>$1.29</td>
</tr>
<tr>
<td>Earned Income Tax Credit</td>
<td>$1.27</td>
</tr>
<tr>
<td>Child Tax Credit</td>
<td>$1.25</td>
</tr>
<tr>
<td>Child Care (Universal Child Care Act)</td>
<td>$1.19</td>
</tr>
<tr>
<td>Universal Pre-Kindergarten</td>
<td>$1.17</td>
</tr>
<tr>
<td>Care for Older Adults</td>
<td>$1.15</td>
</tr>
<tr>
<td>Economic Impact Payments</td>
<td>$1.09</td>
</tr>
<tr>
<td>Payroll Tax Holiday for Employees</td>
<td>$1.07</td>
</tr>
<tr>
<td>Payroll Tax Holiday for Employers</td>
<td>$0.95</td>
</tr>
<tr>
<td>Personal Income Tax Rate Reduction</td>
<td>$0.88</td>
</tr>
<tr>
<td>Student Loan Debt Forgiveness</td>
<td>$0.65</td>
</tr>
<tr>
<td>Dividend and Capital Gain Tax Rate Reduction</td>
<td>$0.38</td>
</tr>
<tr>
<td>Corporate Tax Rate Reduction</td>
<td>$0.32</td>
</tr>
<tr>
<td>Business Net Operating Losses Tax Offset</td>
<td>$0.24</td>
</tr>
</tbody>
</table>

Note: Evaluated relative to the parameters of the federal 2021 American Rescue Plan Act as proposed in January 2021.

WHAT ROLE WILL THE STATE PLAY IN SUPPORTING THE RECOVERY?
FEDERALLY-ENHANCED ROLE ONGOING

- 2020 Coronavirus Relief Funds ($1.25B)
- Significant aid to businesses, State services, health and long-term care providers, child care, schools, nonprofits, housing
- 2021 ARPA State Fiscal Recovery Fund appropriations underway ($995M)
- State Budget investments, such as mental health and Medicaid rates

Source: NHFPI analysis of Joint Legislative Fiscal Committee and Executive Council approvals, May 2021-February 2022
WHAT HAPPENS TO THE INTERNATIONAL ECONOMY AND TRADE?
MANY QUESTIONS, AND ANSWERS WILL BE KEY FOR STATE REVENUES

- New variants and unvaccinated populations
- Varying pandemic impacts in other countries
- Supply-chain bottlenecks
- Fossil fuel costs
- New Hampshire’s largest tax revenue source heavily dependent on large, multinational businesses

**BUSINESS PROFITS TAX FILERS BY LIABILITY**
*Draft Data, Tax Year 2019*

- **Proprietors**, $18,360,680, 4%
- **Corporations**, $94,902,723, 18%
- **Partnerships**, $89,195,440, 17%
- **Water’s Edge (Multi-State/Nationals)**, $309,929,606, 60%
- **Fiduciaries**, $2,708,401, 1%

Source: New Hampshire Department of Revenue Administration, 2021 Annual Report
WHAT HAPPENS TO COMMERCIAL PROPERTY, TOURISM, AND OTHER AREAS?
PICTURE EVOLVING, WITH SIGNIFICANT IMPLICATIONS FOR REVENUE

• Relative residential and commercial property values at municipal levels may continue to change.
• Property tax by far largest source of revenue for public services.
• Tourism may persist with more remote work enabling trips, local living, but regional tourism may decline with more flights, national and international travel.
PART 3: CONSIDERATIONS SPECIFIC TO REVENUE
HOW LONG CAN HOUSING SUPPLY SUSTAIN INCREASED REVENUES?

NEW HAMPSHIRE HOME SALES AND REAL ESTATE TRANSFER TAX REVENUE

Sources: New Hampshire Association of Realtors, New Hampshire Department of Administrative Services
PROPERTY TAXES HAVE HISTORICALLY OUTPACED INFLATION

NEW HAMPSHIRE TOTAL LOCAL PROPERTY TAX COMMITMENT
TAX YEAR, INFLATION-ADJUSTED DOLLARS

Inflation-Adjusted 2021 Q3-4 Dollars, Billions

Tax Year (April 1 of Calendar Year)

Note: Inflation-adjustment based on the second half of same numbered calendar year
Sources: New Hampshire Department of Revenue Administration;
U.S. CORPORATE PROFITS HIGH: WILL THE TREND PERSIST?

U.S. CORPORATE PROFITS BY QUARTER

Corporate Profits Adjusted for Inventory Valuation and Capital Consumption, Annual Rate, Seasonally Adjusted

Billions of Dollars

Month and Year

Source: Federal Reserve Bank of St. Louis
### BUSINESS PROFITS TAX HEAVILY RELIANT ON LARGE ENTITIES FOR REVENUE

#### NEW HAMPSHIRE BUSINESS PROFITS TAX FILERS BY INCOME AND TAX PAID, TAX YEAR 2019

<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>$12,987,013</td>
<td>0.10%</td>
<td>43.86%</td>
</tr>
<tr>
<td>$1,298,701</td>
<td>0.86%</td>
<td>76.97%</td>
</tr>
<tr>
<td>$649,351</td>
<td>1.42%</td>
<td>82.88%</td>
</tr>
<tr>
<td>$129,870</td>
<td>4.80%</td>
<td>93.83%</td>
</tr>
<tr>
<td>$12,987</td>
<td>14.88%</td>
<td>99.58%</td>
</tr>
<tr>
<td>$6,494</td>
<td>17.27%</td>
<td>99.84%</td>
</tr>
<tr>
<td>$13</td>
<td>23.73%</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>77,866</strong></td>
<td><strong>$515,096,850</strong></td>
</tr>
</tbody>
</table>

Source: New Hampshire Department of Revenue Administration, 2021 Annual Report
BUSINESS PROFITS TAX HEAVILY RELIANT ON LARGE ENTITIES FOR REVENUE

NEW HAMPSHIRE BUSINESS PROFITS TAX PAID AND NUMBER OF FILERS

Tax Year 2019

- $225.9M from 80 Filers
- $86.8M from 3,069 Filers
- $170.6M from 591 Filers
- $2.2M from 66,277 Filers
- $29.6M from 7,849 Filers

Source: New Hampshire Department of Revenue Administration
ONGOING REVENUE REDUCTIONS AND ECONOMY COMPLICATE FORECAST

- Revenues have seen significant growth in recent years, General and Education Trust Funds revenue in State Fiscal Year (SFY) 2021 up 13% from SFY2019, 32% above SFY2015
- Revenue growth likely to slow as economy slows, whether there are declines outside of the tax reductions is less certain
- Reductions in Business Tax rates while changes in tax bases are also occurring, may be difficult to evaluate policy impacts
- Reduction in Meals and Rentals Tax rate will reduce revenue
- Interest and Dividends Tax, which collects revenue disproportionately from higher income individuals, will start to decline, stock market volatility also a factor
- Significant Medicaid Enhancement Tax revenues may offset General Fund costs, depending on hospital activities
QUESTIONS FOR THE NEW HAMPSHIRE ECONOMY IN 2022

• Does the recovery continue robustly and equitably, or does it become less inclusive, slow, or stall?

• Do incomes for households, workers, and businesses outpace inflation and rising prices?

• What happens to the size of the workforce, and what factors contribute to those changes?

• How are critical workforce challenges in key sectors, such as direct health and child care services, addressed?

• Does the housing shortage ease?

• Are there more dangerous SARS-CoV-2 variants, and if not, how does the economy change as the pandemic subsides?

• How does the State deploy resources, including federal funds, to support individuals, families, and the economy?
KEY TAKEAWAYS

• Economy has recovered from the early period of the COVID-19 crisis, but the recovery has been uneven
• Federal assistance provided significant economic stimulus, mitigated poverty, and boosted incomes in 2021
• Workforce constraints on New Hampshire’s economy stem from health and child care limitations, long-term trends
• Inflation may be temporary due to rapid changes in spending on goods and services
• Impacts on household budgets as inflation outpaced median wage growth in 2021
• Significant opportunities for the State to help build an equitable, inclusive recovery with available federal resources