



# FUNDING PUBLIC SERVICES IN NEW HAMPSHIRE AT THE STATE AND LOCAL LEVELS

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SEACOAST ROTARY CLUB

DECEMBER 22, 2022

# WHY PUBLIC REVENUE IS IMPORTANT



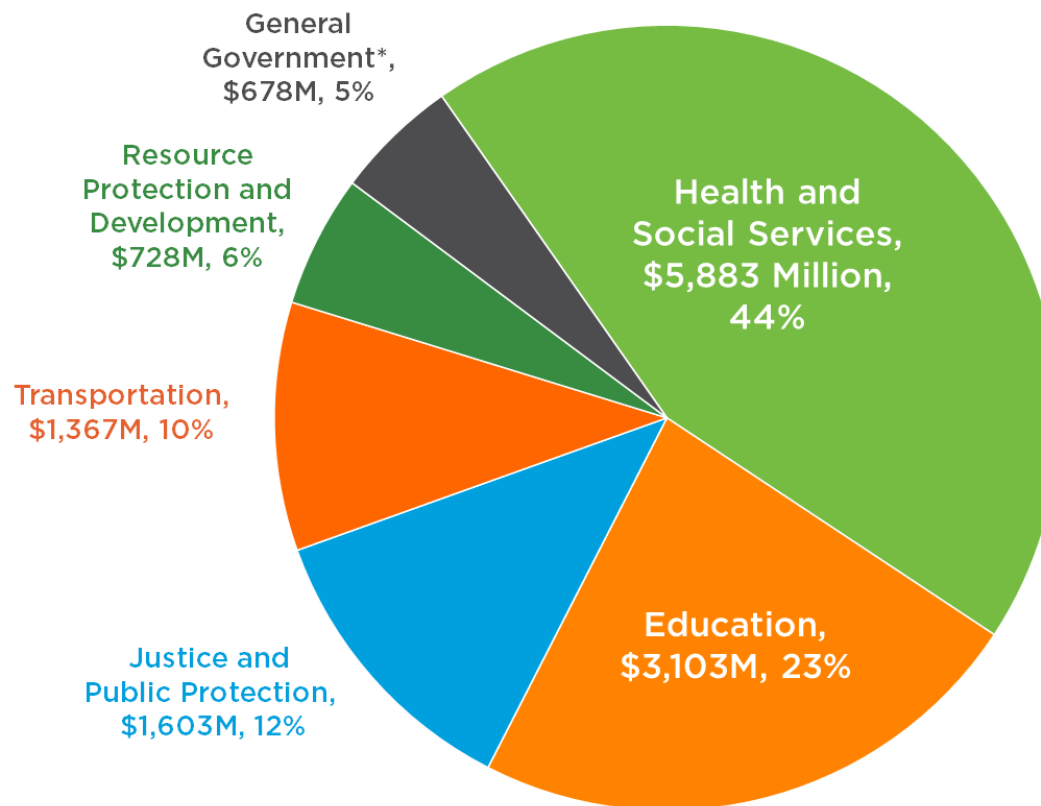
# WHY PUBLIC REVENUE IS IMPORTANT

- Pays for services that help make our communities stronger
- Tangible and direct
  - Roads and bridges
  - Police, fire, and emergency medical services
  - Education (including primary, secondary, and public higher education)
  - Unemployment assistance and job training
  - Public health services and health coverage for those in need
  - Cleaning trash, clearing roads
  - Parks and preserves, including federal, state, and local protected areas
- Less tangible effects
  - Benefits from an educated public and workforce
  - Protects citizens from harm, environmental degradation
  - Long-term investments, with positive returns, made collectively

# STATE REVENUE SUPPORTS THE STATE'S BUDGET AND OTHER SERVICES

## STATE BUDGET LEGISLATION APPROPRIATIONS

*State Fiscal Years 2022-23 and Trailer Bill SFY 2021 Appropriations*



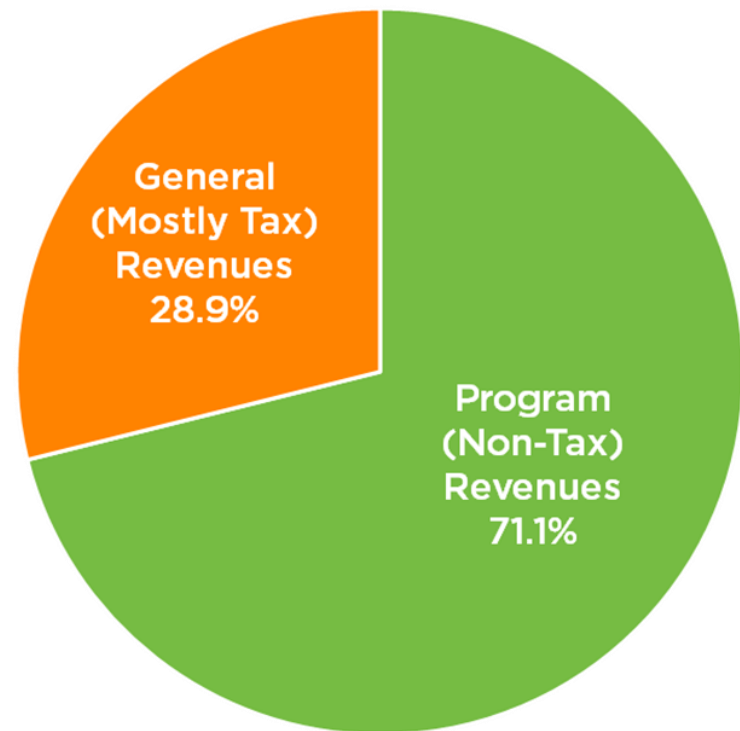
Note: General Government includes HB 2 appropriations for the Affordable Housing Fund, FRM Victim's Fund, and State employee pay raises.

Source: HB 1 and HB 2 as Approved, 2021 Session; New Hampshire Office of Legislative Budget Assistant, Surplus Statements, June 2021

# WHY “REVENUE”? ISN'T IT JUST TAXES?

- Not all government revenue comes from taxes
- Revenue is also collected through fees, charges, interest, and programs that sell products or services
- Federal programs, grants, and aid supply a large amount of revenue to the State government directly, also may provide funding for local government initiatives and support for other organizations

**GENERAL AND PROGRAM REVENUES**  
**NEW HAMPSHIRE, STATE FISCAL YEAR 2021**  
Source: New Hampshire Annual Comprehensive Financial Report, SFY 2021



# LARGEST STATE TAX REVENUE SOURCES

## To All Funds (State Fiscal Year 2021)

- Business Profits Tax - \$667.2 million (estimate)
- Statewide Education Property Tax - \$363.1 million
- Business Enterprise Tax - \$336.0 million (estimate)
- Meals and Rentals Tax - \$334.7 million
- Medicaid Enhancement Tax - \$262.3 million
- Tobacco Tax - \$252.6 million
- Real Estate Transfer Tax - \$209.8 million
- Motor Fuels Tax - \$171.0 million
- Insurance Premium Tax - \$147.5 million
- Interest and Dividends Tax - \$120.7 million

Sources: New Hampshire Annual Comprehensive Financial Report for the Fiscal Year Ending June 30, 2021; New Hampshire Department of Revenue Administration; New Hampshire Treasury Department.

# LARGEST NON-TAX REVENUE SOURCES

## To All Funds (State Fiscal Year 2021)

- Federal Grants - \$4,529.8 million  
(includes pandemic-related aid transferred to State in SFY 2021 and all other federal transfers to Governmental and Enterprise Funds)
- Liquor Commission Sales - \$786.4 million  
(\$168.7 million in operating profits for other State uses)
- Lottery Commission Sales - \$519.7 million  
(\$144.2 million in profits for Education Trust Fund)
- Turnpike Tolling - \$122.1 million

Sources: New Hampshire Annual Comprehensive Financial Report for the Fiscal Year Ending June 30, 2021; New Hampshire Liquor Commission 2021 Comprehensive Annual Financial Report; New Hampshire Lottery Commission Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2021.

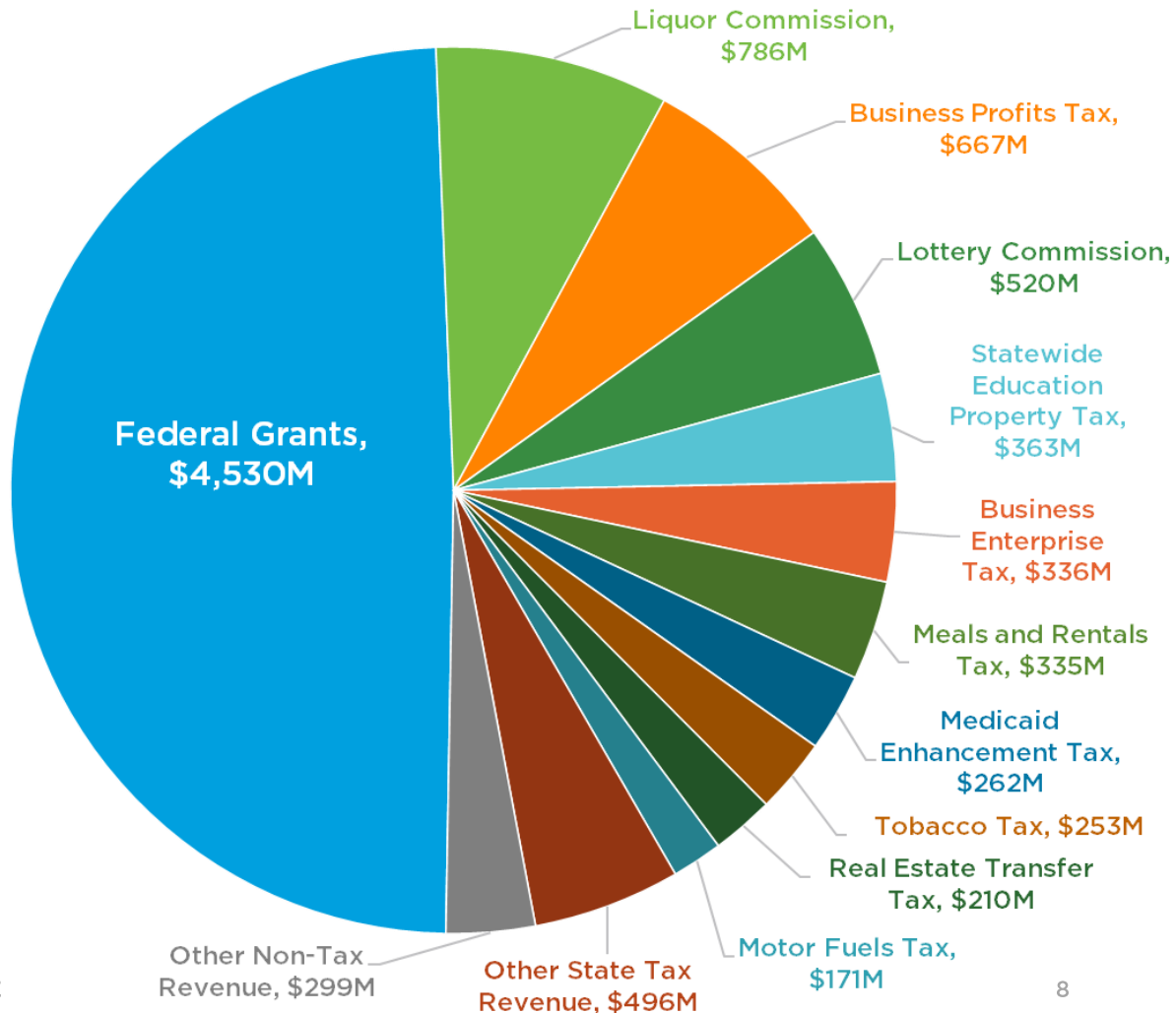


# STATE TAX AND OTHER REVENUES

- Federal transfers still significant outside of pandemic-related aid, all included in this figure's calculations
- Not all federal aid, or all State spending, flows through the State Budget
- Gross revenues from the Liquor Commission and the Lottery Commission are among largest State revenue sources, but many funds go to support internal operations
- Business Profits Tax is the largest State tax revenue source

## STATE REVENUE SOURCES, GOVERNMENTAL AND ENTERPRISE FUNDS, STATE FISCAL YEAR 2021

Source: New Hampshire Annual Comprehensive Financial Report, SFY 2021





# THE TWO PRIMARY BUSINESS TAXES

## Business Profits Tax

- Tax based on gross business profits, adjustments (BET), and apportionment
- Tax base likely about \$6.8 billion in Tax Year 2020
- Supports the General Fund and the Education Trust Fund
- Recent rate reductions
  - 2001-2015: 8.5%, 2016-17: 8.2%, 2018: 7.9%, 2019-21: 7.7%, 2022: 7.6%, 2023: 7.5%

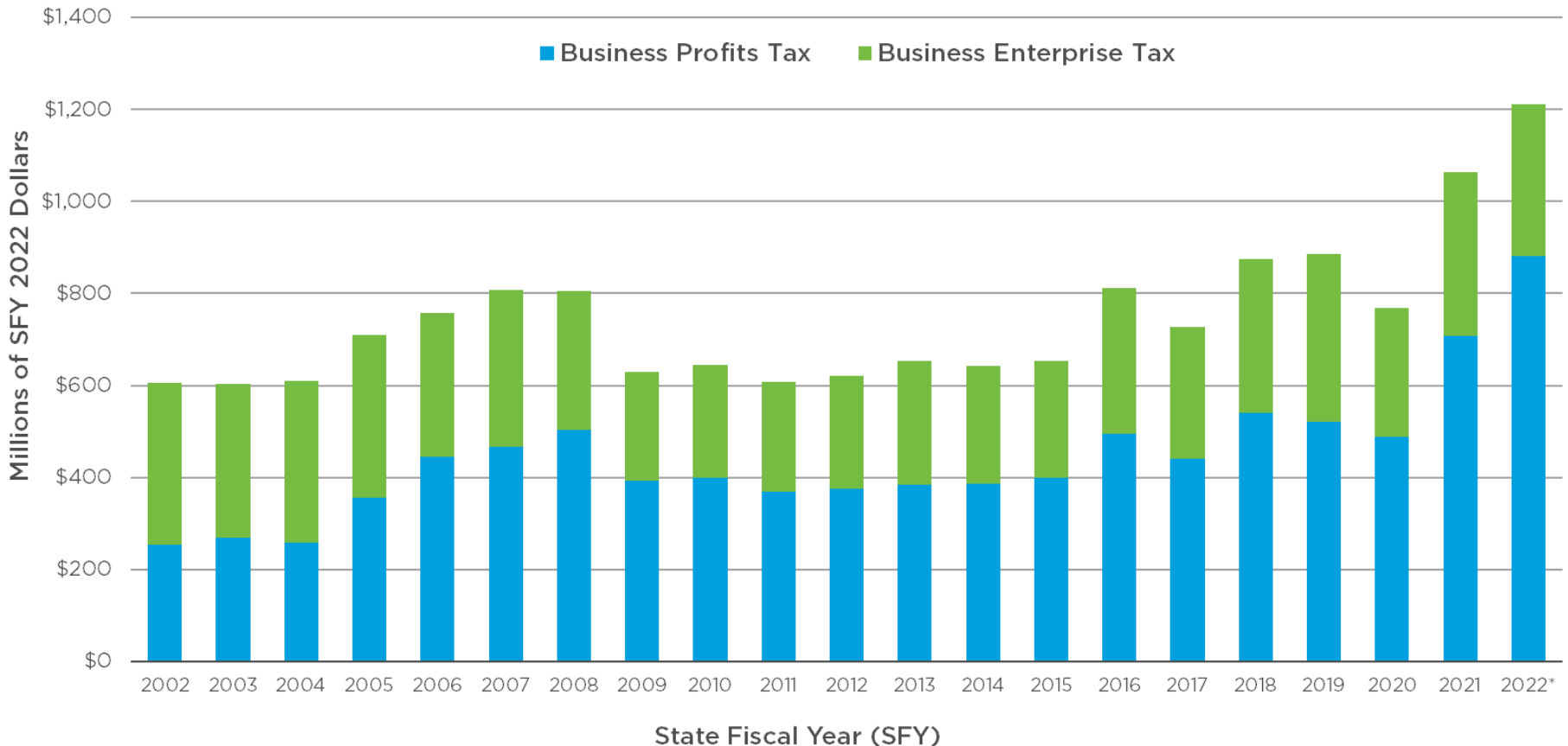
## Business Enterprise Tax

- Unique among state business taxes, based on compensation and interest paid or accrued and dividends paid, adjustments, and apportionment
- Broader tax base, likely about \$36.0 billion in Tax Year 2020
- Supports the General Fund and the Education Trust Fund
- Recent rate reductions
  - 2001-2015: 0.750%, 2016-17: 0.720%, 2018: 0.675%, 2019-21: 0.600%, 2022: 0.550%

Sources: New Hampshire Fiscal Policy Institute, *Revenue in Review*, May 2017; New Hampshire Department of Revenue Administration

# INFLATION-ADJUSTED REVENUE FROM TWO PRIMARY BUSINESS TAXES

NEW HAMPSHIRE BUSINESS PROFITS TAX AND BUSINESS ENTERPRISE TAX  
GENERAL AND EDUCATION TRUST FUNDS INFLATION-ADJUSTED REVENUE



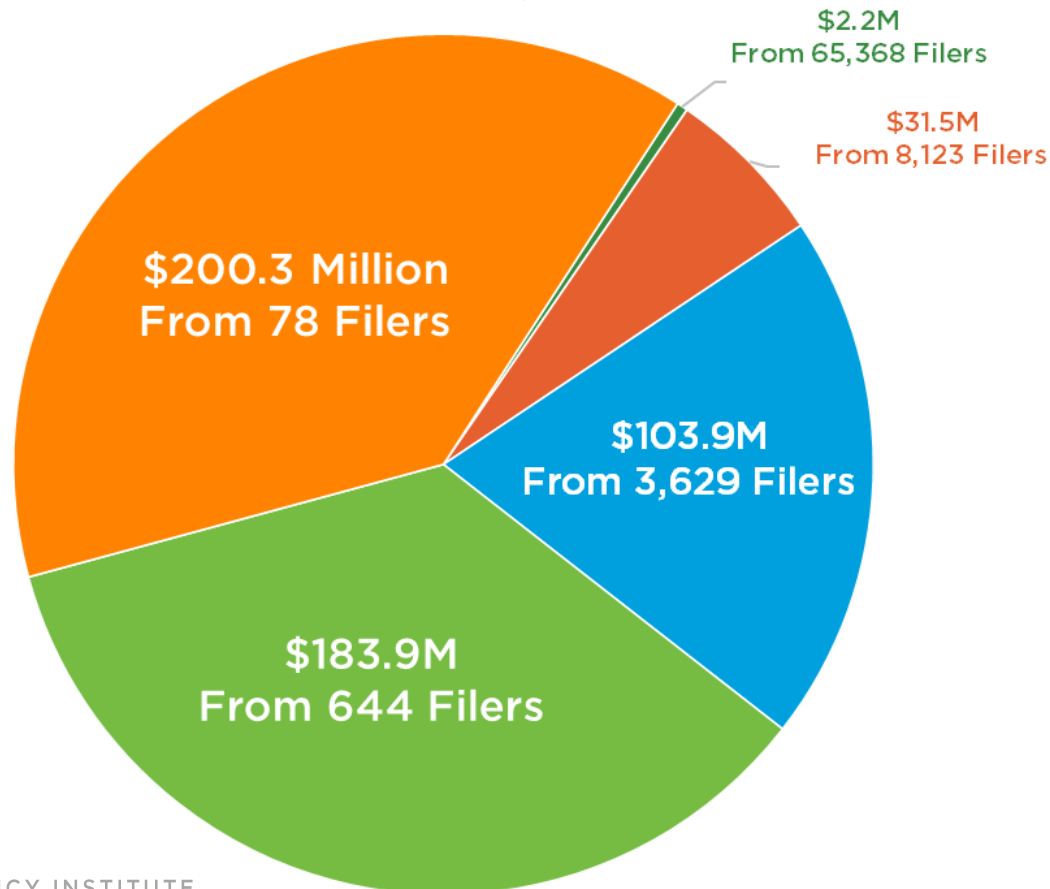
\*Note: 2022 data are preliminary accrual data, not final audited figures. Final sorting between these two taxes not reported fully in Annual Comprehensive Financial Reports.  
Sources: New Hampshire Annual Comprehensive Financial Reports; New Hampshire Department of Administrative Services Preliminary Accrual, June FY 2022;  
U.S. Bureau of Labor Statistics, CPI-U, Northeast

# LARGE ENTITIES KEY TO BPT BASE

## NEW HAMPSHIRE BUSINESS PROFITS TAX PAID AND NUMBER OF FILERS

*Tax Year 2020*

Source: New Hampshire Department of Revenue Administration,  
2022 Annual Report

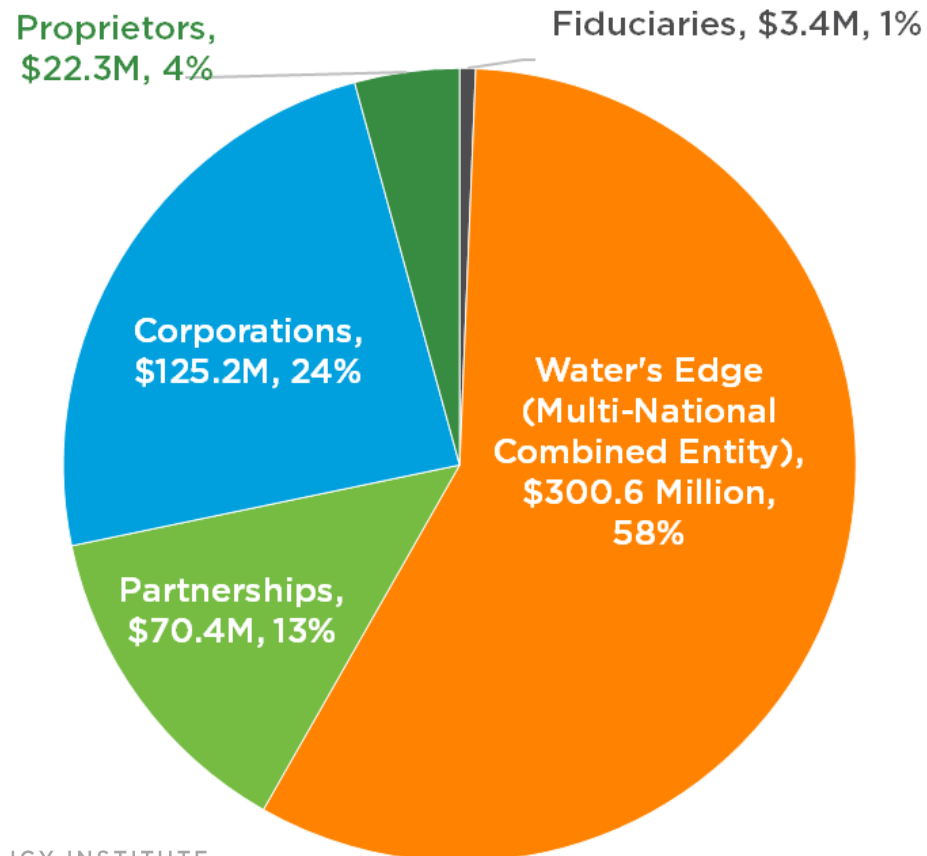


# MAJORITY OF TAX REVENUE FROM FILERS WITH SIGNIFICANT OVERSEAS COMPONENT

## BUSINESS PROFITS TAX FILERS BY LIABILITY

*Tax Year 2020*

Source: New Hampshire Department of Revenue Administration,  
2022 Annual Report



# HIGH NATIONAL CORPORATE PROFITS LIKELY BOOSTING STATE REVENUES

## U.S. CORPORATE PROFITS BY QUARTER

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

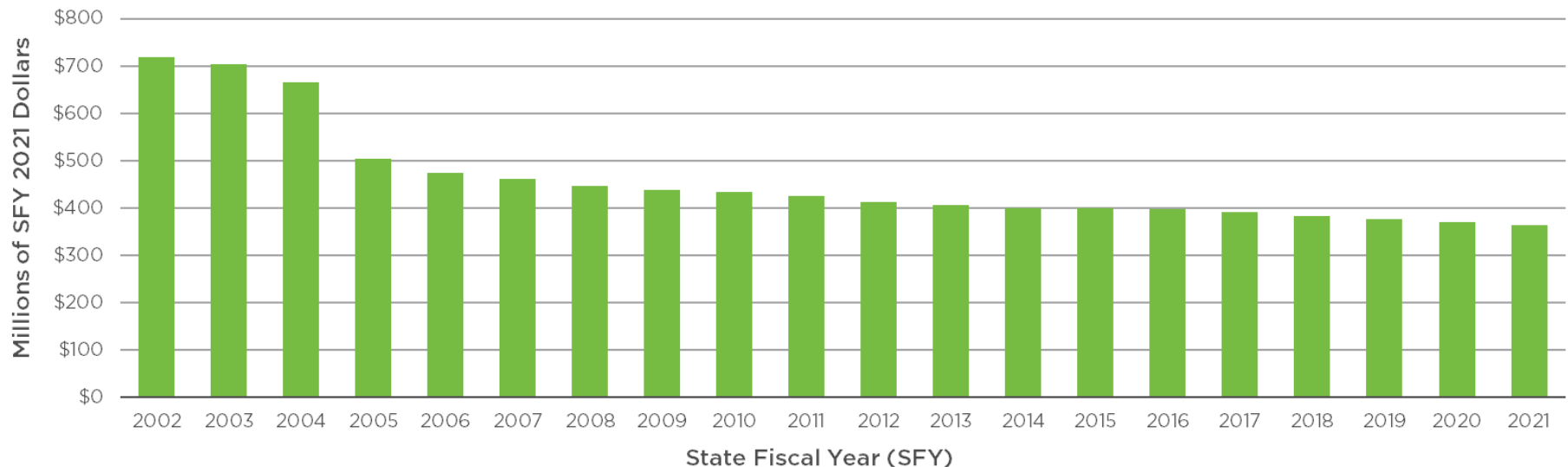


Source: U.S. Federal Reserve Bank of St. Louis, accessed December 21, 2022

# STATEWIDE EDUCATION PROPERTY TAX

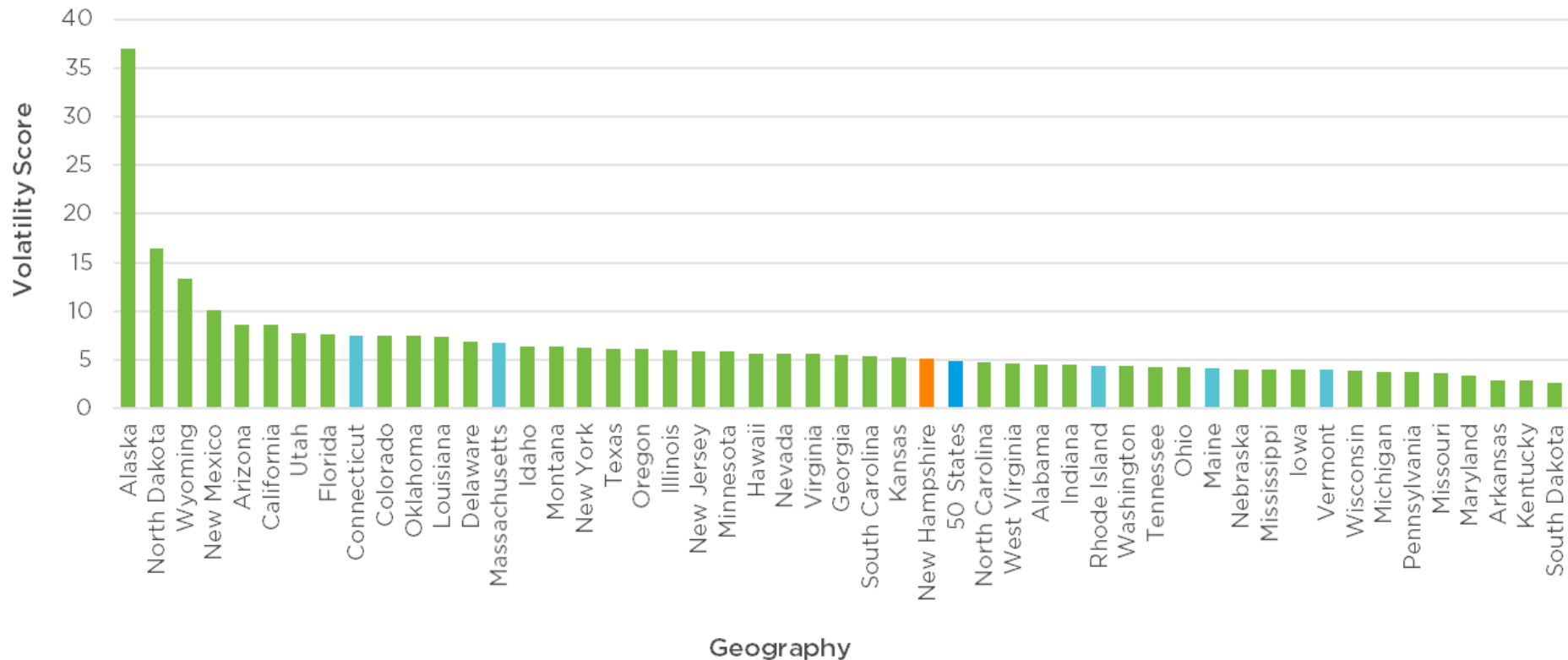
- Established in 1999 to support newly created Education Trust Fund for Adequate Education Grants funding education on a per pupil basis
- Set to raise \$363 million in 2005, does not adjust for inflation; one-time reduction to \$263 million for SFY 2023
- State requires local governments to raise this revenue
- Retained locally; revenue went to state previously, but not after 2011

STATEWIDE EDUCATION PROPERTY TAX  
NEW HAMPSHIRE EDUCATION TRUST FUND INFLATION-ADJUSTED REVENUE



# NEW HAMPSHIRE TAX REVENUES NEAR AVERAGE VOLATILITY

## STATE TAX REVENUE VOLATILITY, FISCAL YEARS 2000-2019



Source: The Pew Charitable Trusts, Tax Revenue Swings Complicate State Budgeting, April 27, 2021



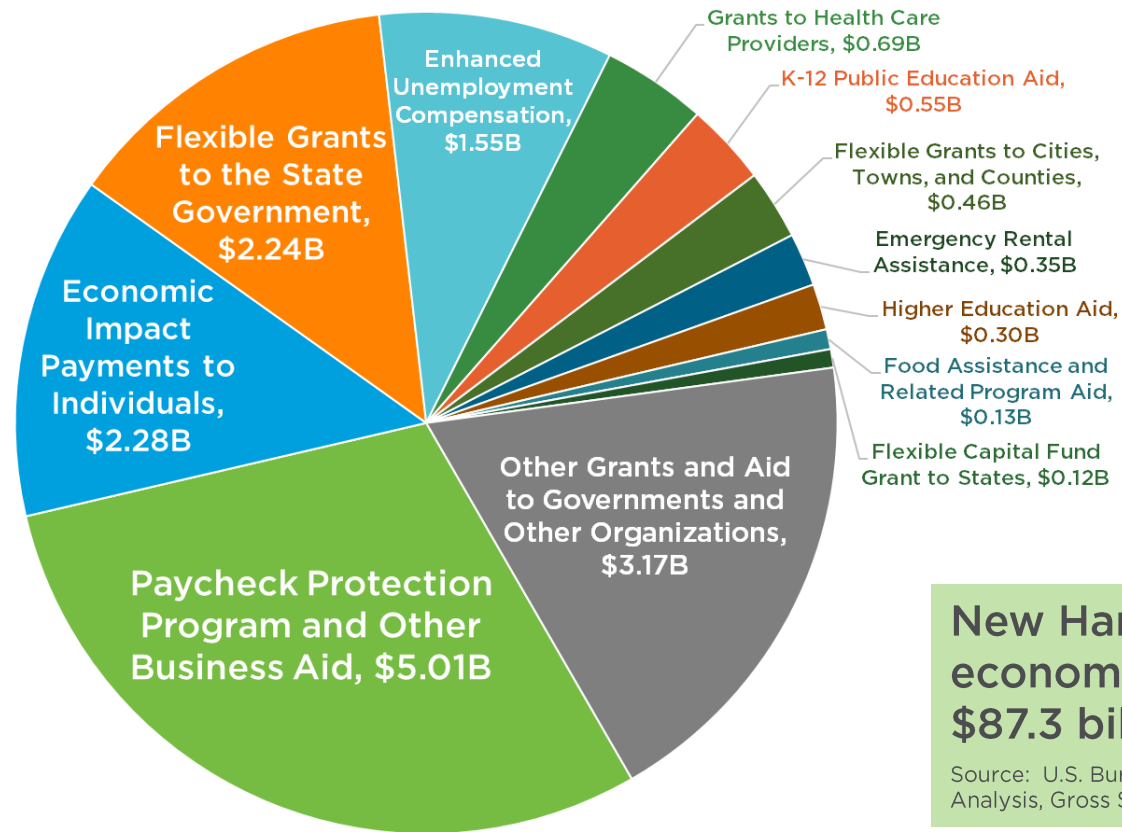
# STATE REVENUE SYSTEM: STRENGTHS AND WEAKNESSES

- Reliance on many revenue streams, most with narrow bases
- High importance of non-tax revenue sources, such as profits from liquor and lottery sales
- Fortunes do not rise or fall with changes in a single revenue source, adds stability to the revenue system relative to some other states
- Policymaker flexibility might be more limited because of narrower bases, large or many adjustments may be needed to react to changes
- Narrow bases more likely to disappear with changing economy
- Certain revenue sources likely to be declining over time, such as the Tobacco Tax and the Communications Services Tax
- Changing demographics may complicate sustainability
- Reliance on federal sources results in limited options if funding from the federal government is reduced

# ABOUT \$17 BILLION TO NEW HAMPSHIRE

## FEDERAL ASSISTANCE RELATED TO COVID-19 IN NEW HAMPSHIRE

*Total of Nearly \$16.9 billion Through July 7, 2022*



**New Hampshire  
economy in 2019:  
\$87.3 billion**

Source: U.S. Bureau of Economic  
Analysis, Gross State Product

Note: Sums may include small amounts of double-counting due to summation mismatches. Totals presented are derivations. Small amounts of aid to individuals are also included in the "Other Grants and Aid" section, including aid for funeral expenses.

Source: New Hampshire Office of Legislative Budget Assistant, Federal COVID-19 Funds, New Hampshire Allocations, July 7, 2022.

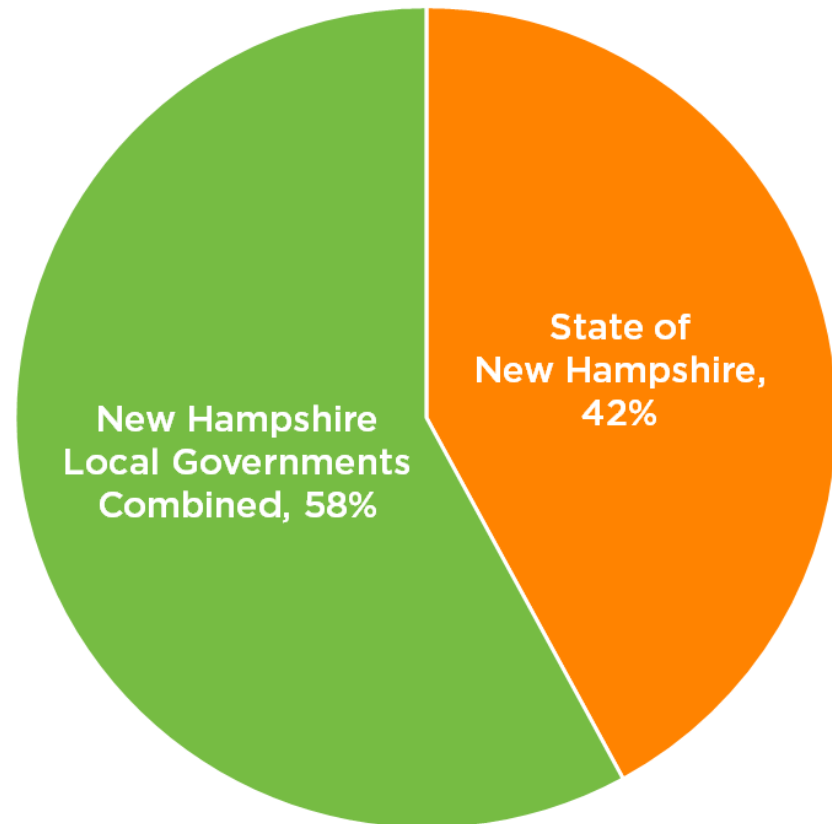
# LOCAL GOVERNMENTS AND TAX REVENUE

## NEW HAMPSHIRE TAX REVENUE BY GOVERNMENT LEVEL, FISCAL YEAR 2019

Source: U.S. Census Bureau, State and Local Government Finance Survey

### Local Governments includes:

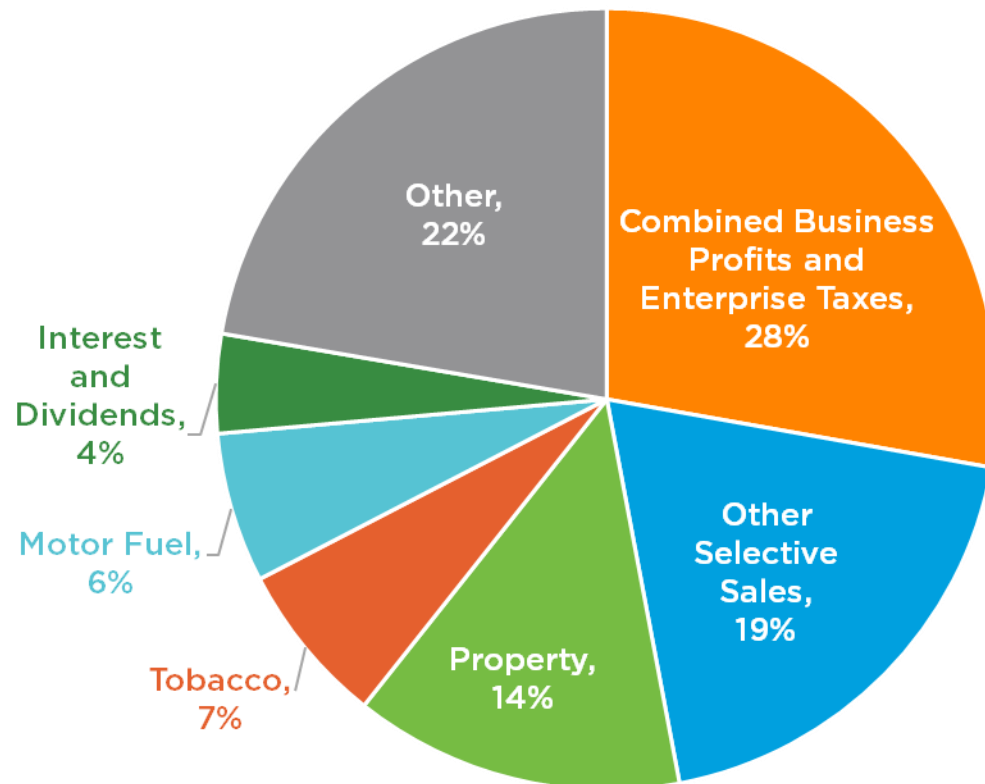
- Municipal governments (town and city)
- School districts
- County governments



# FEWER LOCAL TAX REVENUE SOURCES

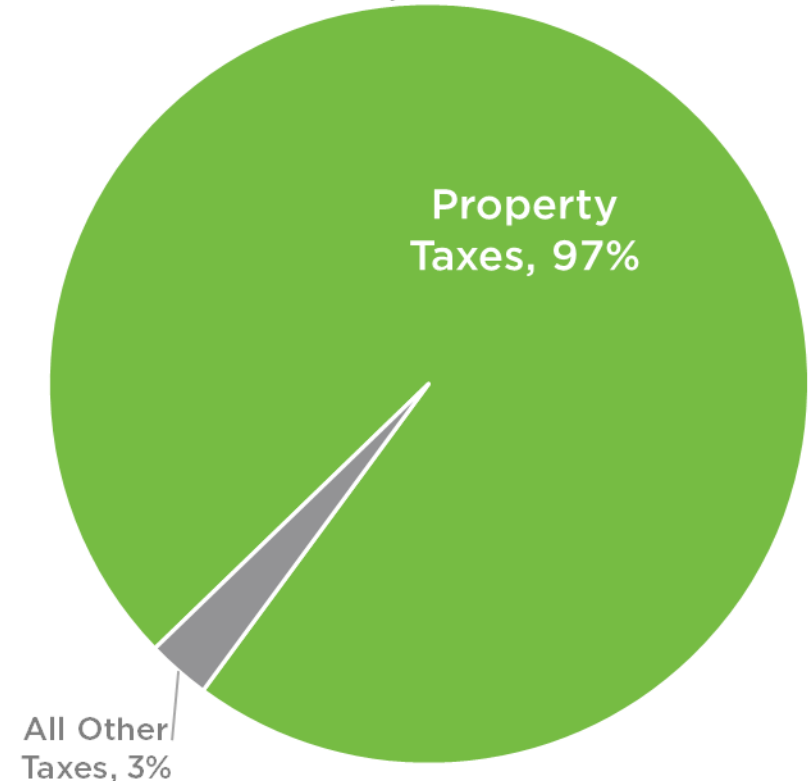
## ALL STATE TAX REVENUE IN NEW HAMPSHIRE FISCAL YEAR 2019

Source: U.S. Census Bureau, Survey of State and Local Government Finances



## ALL LOCAL TAX REVENUE IN NEW HAMPSHIRE FISCAL YEAR 2019

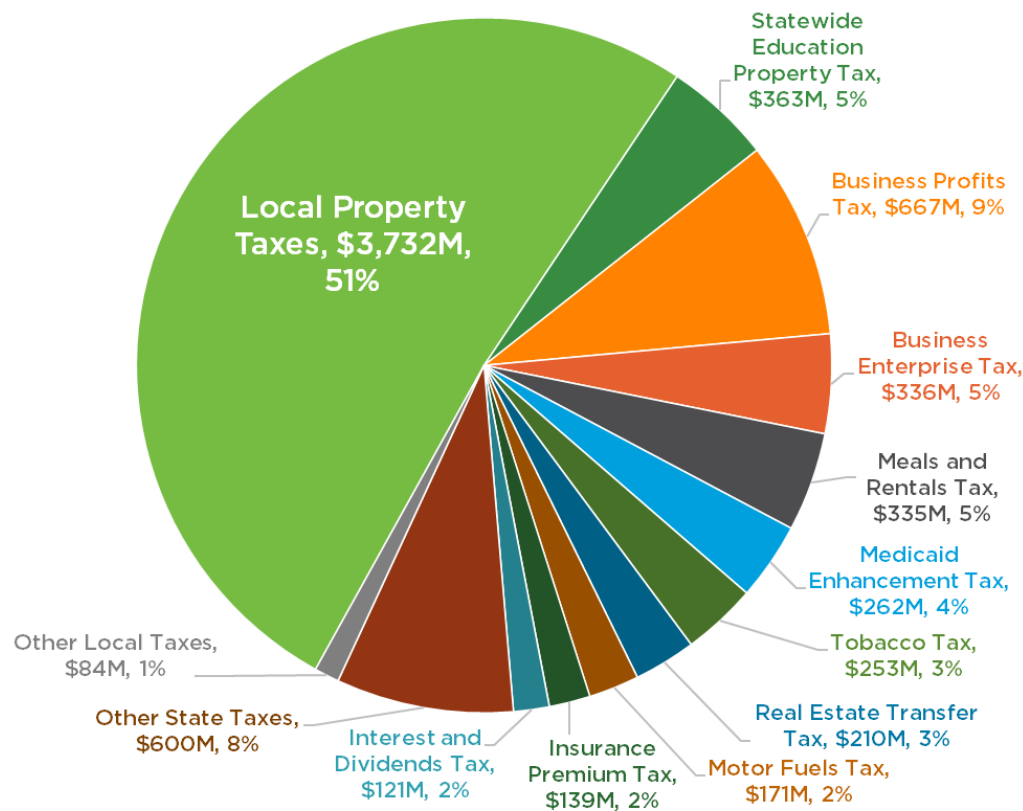
Note: Apparent double-counting of the Statewide Education Property Tax removed from local revenues.  
Source: U.S. Census Bureau, Survey of State and Local Government Finances



# PROPERTY TAXES MORE THAN HALF OF STATE AND LOCAL TAX REVENUES

## STATE AND LOCAL TAXES IN NEW HAMPSHIRE

*State Fiscal Year or Tax Year 2021*

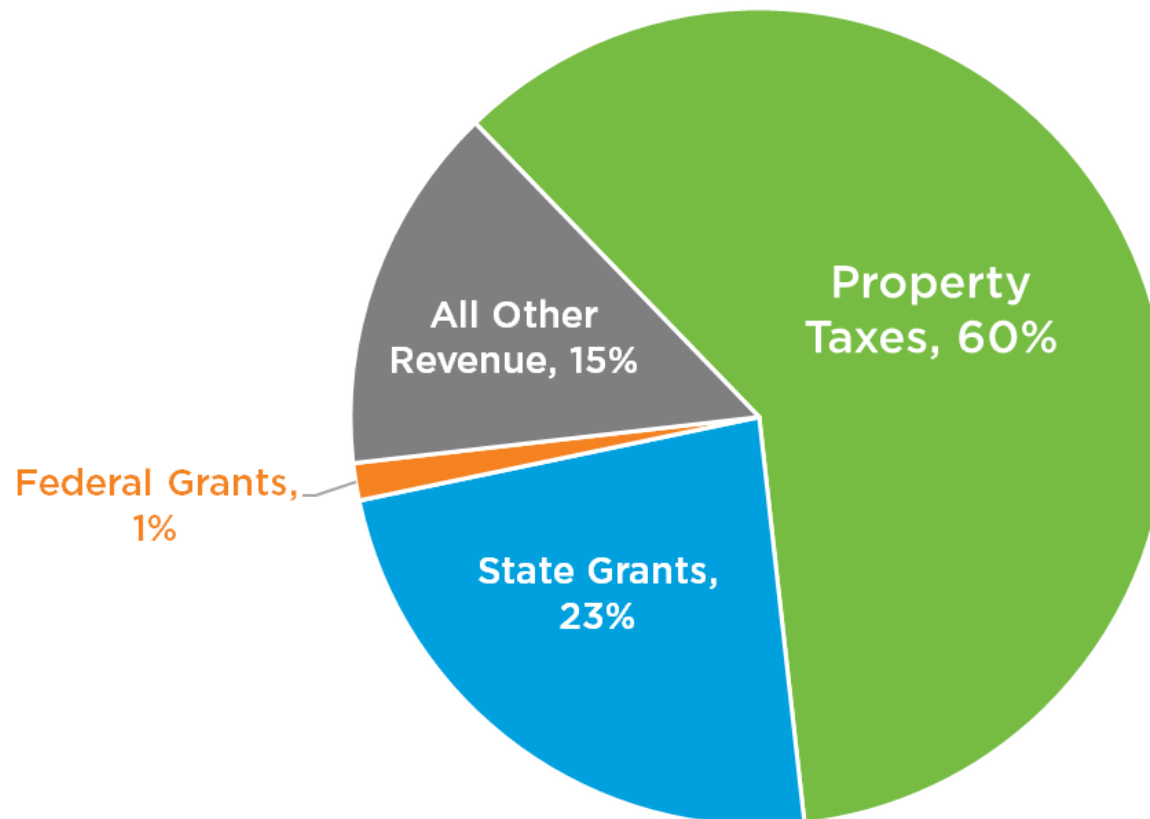


Sources: New Hampshire Annual Comprehensive Financial Report, State Fiscal Year 2021; New Hampshire Department of Revenue Administration, Completed Public Tax Rates 2021; U.S. Census Bureau, Survey of State and Local Government Finances, 2019 ("Other Local Taxes")

# PROPERTY TAX RECEIPTS A MAJORITY OF LOCAL REVENUE IN NEW HAMPSHIRE

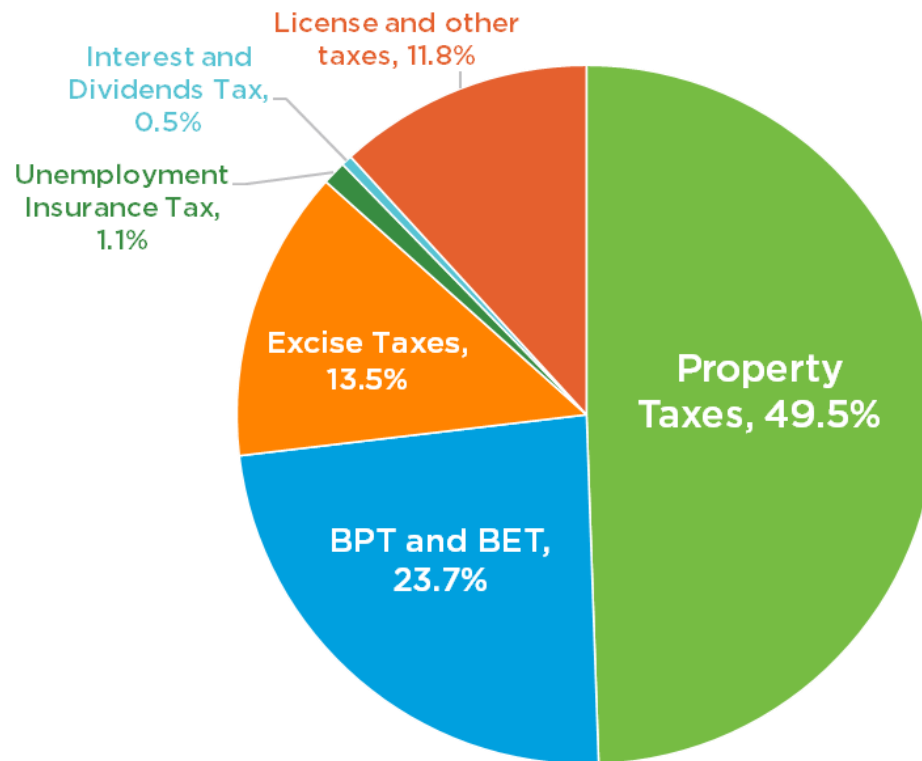
## LOCAL GOVERNMENT REVENUE SOURCES NEW HAMPSHIRE, FISCAL YEAR 2019

Source: U.S. Census Bureau, Survey of State and Local Government Finances



# HALF OF STATE AND LOCAL TAX DOLLARS PAID BY BUSINESSES ARE PROPERTY TAXES

TAXES PAID BY BUSINESSES,  
NEW HAMPSHIRE STATE AND LOCAL TAXES,  
FISCAL YEAR 2020



Note: Totals do not sum to 100 percent due to rounding.

Source: Council on State Taxation, *Total State and Local Business Taxes*, Oct. 2021



# KEY TAKEAWAYS

- New Hampshire State government has a wide array of revenue sources, has been fortunate during the pandemic
- Property taxes are key for local governments, as they are the majority of revenue and nearly all tax revenue
- Federal policy decisions impact State finances, and State policy decisions impact local finances
- Federal response to the pandemic and the rebound in the economy have made resources available for public services
- Public services funded with state and federal dollars provide a substantial opportunity for building an equitable, sustainable, and inclusive economy

# ADDITIONAL RESOURCES

- Issue Brief: The State Budget for Fiscal Years 2022 and 2023 – August 17, 2021  
<https://nhfpi.org/resource/the-state-budget-for-fiscal-years-2022-and-2023/>
- Publication: Revenue in Review: An Overview of New Hampshire's Tax System and Major Revenue Sources – May 24, 2017  
<https://nhfpi.org/resource/revenue-in-review-an-overview-of-new-hampshires-tax-system-and-major-revenue-sources/>
- Resource Pages: Budget, Revenue & Tax  
<https://nhfpi.org/topic/budget/> and  
<https://nhfpi.org/topic/revenue-tax/>
- Resource Page: The American Rescue Plan Act and New Hampshire: Recent and Updated Resources  
<https://nhfpi.org/resource/the-american-rescue-plan-act-and-new-hampshire-recent-and-updated-resources/>



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