

FY14 Revenues
Governor's Consensus Revenue
Estimating Panel

New Hampshire Department of
Revenue Administration

August 18, 2014

Excerpts from
FY14 Revenues Presentation to
House Ways and Means

May 20, 2014

Business Taxes – April Revenue Focus

- Year to Date through April
 - \$0.4m ahead of last year, or 0.1%
 - \$7.1m below plan, or -1.5%
 - Plan estimated a 1.2% increase for the full year
 - Returns, estimates and tax notices were up \$21.2m, but extensions were down \$8.2m and refunds were up \$11.4m compared to prior year
- April
 - \$5.1m below prior year, or -5.5%
 - \$11.4m below plan, or -11.5%
 - Returns, extensions and tax notices were up \$2.5m, refunds were down \$3.1m, but estimates were down \$9.3m compared to prior year

Business Taxes – Drill Down April

- Business Taxes received by Entity Type
 - Money compared to April 2013
 - Corporate estimates were down \$10.3m
 - Partnership returns and extensions were down \$2.7m
 - Corporate extensions were up \$2.2m
 - Water's Edge returns were up \$1.1m
 - Partnership estimates were up \$1.0m
 - Water's Edge tax notice payments were up \$2.3m
 - Counts compared to April 2013
 - 1,200 fewer returns with money
 - 1,000 fewer Proprietorship returns and extensions
 - 650 fewer Proprietorship estimates
 - 300 fewer Partnership returns
 - 200 fewer Corporate estimates
 - Overall 2,700 (10%) fewer documents received

Business Taxes – Drill Down Fiscal YTD through April

- Business Taxes received by Entity Type
 - Money compared to FY2013
 - Partnership returns and extensions were down \$6.6m
 - Water’s Edge returns were up \$8.2m
 - Corporate returns were up \$1.2m
 - Proprietorship returns were up \$1.1m
 - Corporate estimates were up \$4.1m
 - Partnership estimates were up \$2.2m
 - Corporate notices were up \$1.7m
 - Refunds are up \$11.4m
 - Counts compared to FY2013
 - 900 fewer Corporate estimates
 - 700 fewer Corporate extensions
 - 600 fewer Proprietorship estimates
 - 500 fewer Proprietorship returns
 - 400 more Partnership estimates
 - 800 more tax notice payments
 - Overall 1,300 (1.3%) fewer documents received

Business Taxes - Possible Explanations for Differences

- Legislative Changes:

SUMMARY OF TAX LAW CHANGES THAT ARE ANTICIPATED BY DRA TO HAVE AN IMPACT ON FY14 & FY15 REVENUES		
GENERAL AND EDUCATION FUNDS	Summary of Change	Effective Date of Law Change
BUSINESS TAXES:		
2011 Legislative Changes:		
>BPT - Net Operating Loss Increase (Ch. 224:363, L'11; Ch. 71, L'12);	Increases the amount that can be generated in a tax year from \$1,000,000 to \$10,000,000.	Taxable periods beginning on or after January 1, 2013
>BPT Reasonable Compensation Burden of Proof (Ch. 207, L'11)	The amount claimed as a deduction, with prove that actual personal services were performed, shall be presumed reasonable unless that Department can prove it is unreasonable.	Effective June 14, 2011 and applicable for taxable periods ending on or after December 31, 2010
>BET Carry Forward Changes (Ch. 225, L'11)	Increases the BET credit against BPT carry forward from 5 year to 10 years.	Effective July 1, 2014 and applicable for taxable periods ending on or after July 1, 2014
2012 Legislative Changes		
>Education Tax Credit (Ch. 287, L'12)	Establishes the Education Tax Credit against BPT and BET (capped at \$3.4m in year 1 and \$5.1m in year 2).	Effective June 27, 2012 with the first program year beginning January 1, 2013
>BET Threshold Filing Changes (Ch. 279, L'12)	Increases the BET filing threshold from \$150,000 to \$200,000 for gross business receipts and from \$75,000 to \$100,000 for the enterprise value tax base.	Taxable periods ending on or after 12/31/13
>BET Threshold Filing Changes (Ch. 279, L'12) Section 10 RE: Expense Deductions	Increases the Section 179 expense deduction from \$20,000 to \$25,000.	Effective June 21, 2012 for property placed in service on or after January 1, 2012
2013 Legislative Changes		
>R&D Tax Credit Increase (Ch 5, L'13)	Increases the R&D credits awarded each fiscal year from \$1,000,000 to \$2,000,000.	Effective May 20, 2013
>BET Tips (Ch 144:124, L'13)	Excludes gratuitous tips from the definition of compensation under BET.	Effective May 20, 2013 and applicable for taxable periods beginning on or after January 1, 2013
>BPT Compensation Safe Harbor (Ch 71, L'13)	Increases the deduction amount for the record-keeping safe harbor from \$50,000 to \$75,000.	Effective July 1, 2013

- Low Q1 Earnings Reported
- Overall states are reporting that corporate tax collections fell by a median rate of 3.6% during the past 3 months (Jan, Feb, Mar)
- Use of credits built up during recession (overpayments, NOL, etc.)

Interest and Dividends – April Revenue Focus

- Year to Date through April
 - \$12.0m below prior year, or -15.0%
 - \$13.6m below plan, or -16.6%
 - Plan estimated a 3.7% increase for the full year
 - Returns and extensions were down \$6.8m, estimates were down \$0.7m and refunds were up \$7.3m compared to prior year
- April
 - \$8.8m below prior year, or -21.7%
 - \$9.2m below plan, or -22.0%
 - Returns, estimates and extensions were down \$7.2m and refunds were up \$0.4m compared to prior year

Interest and Dividends – Drill Down April

- Interest and Dividends received by Document Type
 - Money compared to April 2013
 - Returns were down \$2.7m or 20.9%
 - Extensions were down \$4.0m or 24%
 - Estimates were down \$0.7m or 6%
 - Tax notice payments were up \$29k or 18%
 - Refunds were up \$500k or 97%
 - Counts compared to April 2013
 - 600 more returns
 - 600 fewer extensions
 - 1,700 fewer estimates
 - Overall 2,000 (4%) fewer documents received

Interest and Dividends – Drill Down Fiscal YTD through April

- Interest and Dividends received by Document Type
 - Money compared to FY2013
 - Returns were down \$2.8m or 15%
 - Extensions were down \$4.0m or 32%
 - Estimates were down \$0.7m or 2%
 - Tax notice payments were down \$0.4m or 20%
 - Refunds were up \$7.3m or 45%
 - Counts compared to FY2013
 - 3,700 fewer estimates
 - 600 fewer extensions
 - Overall 4,000 (7.4%) fewer documents received

Interest and Dividends- Possible Explanations for Differences

- Legislative Changes:

SUMMARY OF TAX LAW CHANGES THAT ARE ANTICIPATED BY DRA TO HAVE AN IMPACT ON FY14 & FY15 REVENUES		
GENERAL AND EDUCATION FUNDS	Summary of Change	Effective Date of Law Change
INTEREST AND DIVIDENDS TAX:		
2012 Legislative Changes		
>Interest and Dividends Tax (Ch. 286:3 through 286:8, L'12)	Eliminates the taxation of trusts under I&D and shifts tax burden to NH beneficiaries when distributions are made.	Effective June 27, 2012 and applicable to taxable periods ending on or after December 31, 2013

- Trusts paid approximately \$5.1m in Tax Year 2012
 - Anecdotal evidence from practitioners that impact from law change is having a significant effect
- Fiscal Cliff
- Non-taxable distributions resulting from conversions from S Corps to LLCs

Interest and Dividends – Breakdown of Components

	Total Filers	Interest	Int % of Total	Dividends	Div % of Total	Tax Exempt	Exmpt % of Total	Distributions	Distr % of Total	Total Income
2008	75,465	2,248,942,432	52.5%	1,101,601,822	25.7%	404,241,135	9.4%	532,231,079	12.4%	4,287,016,468
2009	68,168	1,537,803,381	43.3%	869,074,909	24.5%	378,641,486	10.7%	765,495,556	21.6%	3,551,015,332
2010	62,180	1,242,069,802	39.2%	942,793,477	29.8%	375,919,001	11.9%	604,267,924	19.1%	3,165,050,204
2011	58,636	1,021,613,193	32.9%	1,048,125,945	33.8%	369,772,613	11.9%	662,775,148	21.4%	3,102,286,900
2012	57,324	1,328,305,597	36.9%	1,304,279,527	36.2%	367,266,180	10.2%	602,856,034	16.7%	3,602,707,338

	Not Taxable	Subtotal	Deductions	Adjusted Income	Exempt Amount	NH Taxable Income	Tax Amount
2008	2,252,763,315	2,034,253,153	263,834,400	1,770,418,753	53,563,200	1,799,735,309	89,898,710
2009	1,721,074,160	1,829,941,170	239,133,600	1,590,807,570	49,910,400	1,569,259,362	78,458,424
2010	1,443,663,850	1,721,386,354	216,422,400	1,504,963,954	46,438,800	1,485,628,977	74,281,772
2011	1,330,405,264	1,771,881,636	204,127,200	1,567,754,436	44,364,000	1,547,112,347	77,356,578
2012	2,033,916,281	1,568,798,682	200,308,800	1,368,489,882	44,514,000	1,697,430,148	84,872,249

When Will We Know More?

- Business Taxes
 - 42,000 returns received to date
 - 8,000 extensions with money received for TY 2013
 - Full return not due until November at the latest
 - Full tax year is approximately 60,000 to 65,000 returns
- Interest and Dividends
 - 45,000 returns received to date
 - 4,000 extensions with money received for TY 2013
 - Full return not due until November at the latest
 - Full tax year is approximately 60,000 returns
- We will only know what is shown on the returns

Updates Since April

- Business Taxes
 - June estimates for Q2 TY2014 were \$87.5m, compared to Q1 TY2014 estimates in March/April of \$72.7m
 - Highest month for estimates since December TY2006 (received in FY2007)
 - July FY14 variance to prior year is due to an anomaly that is not anticipated to be maintained throughout the fiscal year.
 - August FY15 revenues to date are approximately \$400k less than August FY14 to date
- Interest and Dividends
 - June estimates for Q2 TY2014 were \$12.3m, compared to Q1 TY2014 estimates in April of \$9.9m
 - Q2 TY2014 estimates were lower than Q2 TY2013 and Q2 TY2012 estimates
 - August FY15 revenues to date are approximately \$100k more than August FY14 to date

FY14 Actual vs. Plan

	A	B	C		D	E	F	G		H
	FY14 Plan	FY14 June - Cash Basis	Change from Plan			FY14 Plan	FY14 June - Preliminary Accrual	Change from Plan		
			\$	%				\$	%	
BS	\$ 561.1	\$ 553.6	(7.5)	-1.3%	\$ 561.1	\$ 548.8	(12.3)	-2.2%		
M&R	\$ 251.2	\$ 260.6	9.4	3.7%	\$ 251.2	\$ 260.6	9.4	3.7%		
Tobacco	\$ 214.7	\$ 221.7	7.0	3.3%	\$ 214.7	\$ 220.0	5.3	2.5%		
I&D	\$ 96.1	\$ 80.1	(16.0)	-16.6%	\$ 96.1	\$ 79.8	(16.3)	-17.0%		
CST	\$ 62.5	\$ 58.7	(3.8)	-6.1%	\$ 62.5	\$ 59.2	(3.3)	-5.3%		
RETT	\$ 96.9	\$ 100.2	3.3	3.4%	\$ 96.9	\$ 100.7	3.8	3.9%		
ECT	\$ 6.0	\$ 6.2	0.2	3.3%	\$ 6.0	\$ 6.1	0.1	1.7%		
UPT	\$ 34.5	\$ 35.8	1.3	3.8%	\$ 34.5	\$ 35.8	1.3	3.8%		
TOTAL	\$ 1,323.0	\$ 1,316.9	(6.1)	-0.5%	\$ 1,323.0	\$ 1,311.0	(12.0)	-0.9%		

FY15 Plan vs. FY14

	A	B	C		D	E	F	G		H	I	J	K		L
	FY15 Plan	FY14 Plan	Change from FY14		FY15 Plan	FY14 June - Cash Basis	Change from FY14		FY15 Plan	FY14 June - Preliminary Accrual	Change from FY14				
			\$	%			\$	%			\$	%			
BS	\$ 568.2	\$ 561.1	7.1	1.3%	\$ 568.2	\$ 553.6	14.6	2.6%	\$ 568.2	\$ 548.8	19.4	3.5%			
M&R	\$ 265.2	\$ 251.2	14.0	5.6%	\$ 265.2	\$ 260.6	4.6	1.8%	\$ 265.2	\$ 260.6	4.6	1.8%			
Tobacco	\$ 208.6	\$ 214.7	(6.1)	-2.8%	\$ 208.6	\$ 221.7	(13.1)	-5.9%	\$ 208.6	\$ 220.0	(11.4)	-5.2%			
I&D	\$ 98.0	\$ 96.1	1.9	2.0%	\$ 98.0	\$ 80.1	17.9	22.3%	\$ 98.0	\$ 79.8	18.2	22.8%			
CST	\$ 62.5	\$ 62.5	-	0.0%	\$ 62.5	\$ 58.7	3.8	6.5%	\$ 62.5	\$ 59.2	3.3	5.6%			
RETT	\$ 102.3	\$ 96.9	5.4	5.6%	\$ 102.3	\$ 100.2	2.1	2.1%	\$ 102.3	\$ 100.7	1.6	1.6%			
ECT	\$ 6.0	\$ 6.0	-	0.0%	\$ 6.0	\$ 6.2	(0.2)	-3.2%	\$ 6.0	\$ 6.1	(0.1)	-1.6%			
UPT	\$ 35.4	\$ 34.5	0.9	2.6%	\$ 35.4	\$ 35.8	(0.4)	-1.1%	\$ 35.4	\$ 35.8	(0.4)	-1.1%			
TOTAL	\$ 1,346.2	\$ 1,323.0	23.2	1.8%	\$ 1,346.2	\$ 1,316.9	29.3	2.2%	\$ 1,346.2	\$ 1,311.0	35.2	2.7%			