

Department of Revenue Administration

Revised Revenue Estimates

The Department of Revenue Administration (DRA) has developed revised FY 2020 revenue estimates, as well revised estimates for FY 2021 for the following taxes: Business Profits Tax (BPT), Business Enterprise Tax (BET), Meals and Rentals Tax, Tobacco Tax, Communications Services Tax, Real Estate Transfer Tax, and Utility Property Tax. The DRA estimates were calculated by adjusting FY 2020 Plan based on currently available data (through either April or May 2020 depending on the tax type), the expectation and result of revenue prior to COVID-19, as well as expected revenues on a monthly basis to take into account the possible changing effects of the COVID-19 pandemic over time. Consideration was also given to the different payment types and tax periods received in a month and how those payments may be affected before, during, or after “stay at home” restrictions. Lastly, these estimates are subject to change.

Summary of FY 2020 and FY 2021 DRA Estimates

	FY 2020			FY 2021		
	Plan	DRA Revised	Revised vs. Plan	Plan	DRA Revised	Revised vs. Plan
Business Taxes	\$795.1	\$677.5	\$ (117.6)	\$786.1	\$610.8	\$ (175.3)
Meals and Rentals Tax	\$368.5	\$321.6	\$ (46.9)	\$386.9	\$323.2	\$ (63.7)
Tobacco Tax	\$198.0	\$206.8	\$ 8.8	\$201.2	\$201.2	\$ -
Interest and Dividends Tax	\$116.9	\$113.1	\$ (3.8)	\$116.9	\$95.2	\$ (21.7)
Communications Services Tax	\$40.7	\$39.7	\$ (1.0)	\$39.8	\$38.8	\$ (1.0)
Real Estate Transfer Tax	\$159.4	\$154.2	\$ (5.2)	\$158.4	\$135.7	\$ (22.7)
Utility Property Tax	\$43.4	\$41.8	\$ (1.6)	\$44.2	\$41.9	\$ (2.3)
Total DRA Taxes	\$1,722.0	\$1,554.7	\$ (167.3)	\$1,733.5	\$1,446.9	\$ (286.6)

Meals & Rentals Tax

Historical Breakdown: 80% meals, 17% rooms and 3% motor vehicles

- **DRA Revised FY 2020 and FY 2021 estimates:**
 - *An adjustment has been made to reduce the revenues by 0.8% compared to Plan to account for revenue performance without the effects of COVID-19*
 - *M&R components considered separately and adjusted based on different assumptions*
 - *April Actual Month-over-Month Change*
 - *Meals = -37%*
 - *Hotel = -54%*
 - *Motor Vehicles = -21%*
 - *May Anticipated Month-over-Month Change*
 - *Meals = -54%*
 - *Hotel = -88%*
 - *Motor Vehicles = -75%*
 - *Stay-at-home order being lifted June 1, 2020*
 - *FY 2021 Estimates have a gradual improvement in monthly revenue, nearly returning to monthly Plan levels by the end of FY 2021*
- **Factors to consider:**
 - *FYTD 8.6% below Plan*
 - *FYTD 3.6% below prior year*
 - *Possible effects of the COVID-19 pandemic on selling meals, renting rooms, and renting motor vehicles including unemployment rates and consumer confidence*
 - *COVID-19 emergency orders*
 - *Based on a preliminary review of May filings, revenue will be better than expected due to the performance of chain restaurants, fast food, and delivery*

Estimated Revenue Adjustments by Month

	FY 2020			FY 2021											
	Economic Adjustment to FY 2020 Plan	May	June	July	August	September	October	November	December	January	February	March	April	May	June
Meals and Rentals Tax	-0.8%	-61%	-56%	-46%	-34%	-26%	-19%	-15%	-11%	-8%	-6%	-5%	-4%	-3%	-2%

**Summary of Estimates
FY 2020 April Actual, May & June Estimates**

	April 2020 Actual				May 2020				June 2020				April - June Totals	
	Plan	DAS Actual	Actual vs. Plan	% Difference	Plan	DRA Revised	Revised vs. Plan	% Difference	Plan	DRA Revised	Revised vs. Plan	% Difference	Revised vs. Plan	% Difference
Meals and Rentals Tax	\$28.3	\$16.1	-\$12.2	-43%	\$26.4	\$10.4	-\$16.0	-61%	\$30.6	\$13.6	-\$17.0	-56%	-\$45.2	-53%

Summary of FY 2020 and FY 2021 DRA Estimates

	FY 2020			FY 2021		
	Plan	DRA Revised	Revised vs. Plan	Plan	DRA Revised	Revised vs. Plan
Meals and Rentals Tax	\$368.5	\$321.6	\$ (46.9)	\$386.9	\$323.2	\$ (63.7)

Tobacco Tax

- **DRA Revised FY 2020 and FY 2021 estimates:**
 - Adjustments in FY 2020 for “stocking up” in March at beginning of COVID-19
 - No change for FY 2021

- **Factors to consider:**
 - FYTD 2.9% ahead of Plan
 - FYTD 4.0% ahead of prior year
 - Analyst expect cigarettes to perform well even during the coronavirus outbreak.

Estimated Revenue Adjustments by Month

	FY 2020			FY 2021											
	Economic Adjustment to FY 2020 Plan	May	June	July	August	September	October	November	December	January	February	March	April	May	June
Tobacco Tax	0.0%	-5%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

Summary of Estimates FY 2020 April Actual, May & June Estimates

	April 2020 Actual				May 2020				June 2020				April - June Totals	
	Plan	DAS Actual	Actual vs. Plan	% Difference	Plan	DRA Revised	Revised vs. Plan	% Difference	Plan	DRA Revised	Revised vs. Plan	% Difference	Revised vs. Plan	% Difference
Tobacco Tax	\$15.2	\$20.5	\$5.3	35%	\$17.0	\$16.2	-\$0.9	-5%	\$18.7	\$18.7	\$0.0	0%	\$4.5	9%

Summary of FY 2020 and FY 2021 DRA Estimates

	FY 2020			FY 2021		
	Plan	DRA Revised	Revised vs. Plan	Plan	DRA Revised	Revised vs. Plan
Tobacco Tax	\$198.0	\$206.8	\$ 8.8	\$201.2	\$201.2	\$ -

Interest & Dividends Tax

TY2017 Breakdown: 41% Dividend Income, 35% Taxable Annuities or Actual Cash & Property Distributions, 15% Interest Income and 9% Federal tax exempt interest income

- **DRA Revised FY 2020 and FY 2021 estimates:**

- *An adjustment has been made to reduce the revenues by 4.0% compared to Plan to account for revenue performance without the effects of COVID-19*
- *I&D Tax adjustments were calculated by making assumptions about the possible effects of the COVID-19 pandemic on interest and dividends income activity generally and payment expectations.*
 - *Each I&D payment type (estimates, extensions, returns, tax notices) was considered separately and adjusted based on when taxpayers generally make such payments and how they might be affected as a result of COVID-19.*
- *The April 2020 actual revenue of \$26.3M or -40.8% below April Plan is partly attributable to the COVID-19 pandemic related Technical Information Release (TIR) 2020-001, which extends the Interest & Dividend Tax filing deadline from April 15, 2020 to June 15, 2020 for filers below certain tax liability thresholds.*
 - *As well as potential 2% loss in revenue in June due to the filing behaviors in April.*
- *I&D Tax adjustments do not follow a linear trend. The adjustments assume the 2% loss in revenue, the 4% economic adjustment, as well as the shifting of payments from April to June bringing the increase in June to 96% above Plan*

House Ways & Means Committee May 27, 2020

- *The shifting of payments from April to June 2020, for TIR 2020-001, accounts for \$19.9m.*
- **Factors to consider:**
 - *FYTD 18.9% below Plan*
 - *FYTD 16.7% below prior year*
 - *Technical Information Release (TIR) 2020-001, which extends the Interest & Dividend Tax filing deadline*
 - *Historical Year-Over-Year swings*
 - *The Great Recession decreased I&D Tax revenues by 16.0% from FY 2008 to FY 2009, 14.8% from FY 2009 to FY 2010, and 6.8% from FY 2010 to FY 2011.*
 - *Stock market performance, which lost as much as 37% since the beginning of the year and has partially recovered.*
 - *Reduced liquidity due to COVID-19 and the effects on ability to pay*

Estimated Revenue Adjustments by Month

	FY 2020			FY 2021											
	Economic Adjustment to FY 2020 Plan	May	June	July	August	September	October	November	December	January	February	March	April	May	June
Interest and Dividends Tax	-4.0%	62%	88%	-20%	-16%	-14%	-10%	-21%	-22%	-23%	-26%	-20%	-20%	-9%	-15%

Summary of Estimates

FY 2020 April Actual, May & June Estimates

	April 2020 Actual				May 2020				June 2020				April - June Totals	
	Plan	DAS Actual	Actual vs. Plan	% Difference	Plan	DRA Revised	Revised vs. Plan	% Difference	Plan	DRA Revised	Revised vs. Plan	% Difference	Revised vs. Plan	% Difference
Interest and Dividends Tax**	\$44.4	\$26.3	-\$18.1	-41%	\$1.9	\$3.1	\$1.2	62%	\$17.4	\$32.7	\$15.3	88%	-\$1.6	-2%

Summary of FY 2020 and FY 2021 DRA Estimates

	FY 2020			FY 2021		
	Plan	DRA Revised	Revised vs. Plan	Plan	DRA Revised	Revised vs. Plan
Interest and Dividends Tax	\$116.9	\$113.1	\$ (3.8)	\$116.9	\$95.2	\$ (21.7)

** For Business and Interest and Dividends (I&D) Taxes, June assumes that all taxpayers who qualify for payment relief as provided in TIR 2020-001, dated March 30, 2020, shifted any payments due in April until June, as well as additional shifting of payments for Business taxpayers who were not entitled to the relief in TIR 2020-001. The estimated amount of payments/revenue being shifted from April to June is \$48.2m for Business Taxes, and \$19.9m for I&D Tax.

Communications Services Tax

- **DRA Revised FY 2020 and FY 2021 estimates:**
 - *From May of 2008 to May of 2009, there was a 20% decrease in CST revenue. This occurred simultaneously with the high NH unemployment rate of 6.5% during the Great Recession.*
 - *The May adjustment assumes a better situation, down 10%, rather than 20%, because of the offset in video conferencing and the transition to working from home due to the COVID-19 pandemic.*
 - *The adjustments gradually improve beginning in June, reflecting an assumption that May will show signs of improving conditions.*

- **Factors to consider:**
 - *FYTD 2.2% below Plan*
 - *FYTD 4.3% below prior year*
 - *Historical data from the Great Recession*

House Ways & Means Committee May 27, 2020

- *NH unemployment rate*
- *Governor's emergency order and people's ability to pay*
- *Taxability of video conferencing and the increased use*

Estimated Revenue Adjustments by Month

	FY 2020			FY 2021											
	Economic Adjustment to FY 2020 Plan	May	June	July	August	September	October	November	December	January	February	March	April	May	June
Communications Services Tax	0.0%	-10%	-5%	-5%	-5%	-5%	-5%	-5%	-5%	0%	0%	0%	0%	0%	0%

Summary of Estimates

FY 2020 April Actual, May & June Estimates

	April 2020 Actual				May 2020				June 2020				April - June Totals	
	Plan	DAS Actual	Actual vs. Plan	% Difference	Plan	DRA Revised	Revised vs. Plan	% Difference	Plan	DRA Revised	Revised vs. Plan	% Difference	Revised vs. Plan	% Difference
Communications Services Tax	\$3.3	\$3.4	\$0.1	3%	\$3.9	\$3.5	-\$0.4	-10%	\$3.5	\$3.3	-\$0.2	-5%	-\$0.5	-4%

Summary of FY 2020 and FY 2021 DRA Estimates

	FY 2020			FY 2021		
	Plan	DRA Revised	Revised vs. Plan	Plan	DRA Revised	Revised vs. Plan
Communications Services Tax	\$40.7	\$39.7	\$ (1.0)	\$39.8	\$38.8	\$ (1.0)

Real Estate Transfer Tax

- **DRA Revised FY 2020 and FY 2021 estimates:**

- *May revenue for April activity is estimated to be -17% below Plan (adjusted based on a preliminary review of May data)*
- *A survey by the New Hampshire Association of Realtors sent on April 8 indicated that the coronavirus had an impact on all but 13% of respondents' businesses. It also indicated that 69% of buyers were delaying home searches, and that 64% of sellers were delaying new listings and even taking homes off the market.*
- *The median real estate sales price rising 9% in March from a year ago according to the NH Realtors Association on April 8.*
- *Gradual adjustment with an improvement beginning in July, reflecting an assumption that restrictions will end in May or early June and using an April 2020 report from Fannie Mae's projection that overall sales will be down 15% in 2020.*

- **Factors to consider:**

- *FYTD 3.5% ahead of Plan*
- *FYTD 7.3% ahead of prior year*
- *Market data on COVID-19 effects*
- *Available housing and property values*
- *Mortgage interest rates being historically low and stable*
- *Timing regarding the purchasing of a home*
- *Stay-at-home order being lifted June 1, 2020*
- *Overall recovery of the economy, unemployment rates and consumer confidence*

Estimated Revenue Adjustments by Month

	FY 2020			FY 2021											
	Economic Adjustment to FY 2020 Plan	May	June	July	August	September	October	November	December	January	February	March	April	May	June
Real Estate Transfer Tax	0.0%	-17%	-60%	-50%	-30%	-15%	-10%	-10%	-10%	-5%	-5%	-5%	-5%	-5%	-5%

Summary of Estimates
FY 2020 April Actual, May & June Estimates

	April 2020 Actual				May 2020				June 2020				April - June Totals	
	Plan	DAS Actual	Actual vs. Plan	% Difference	Plan	DRA Revised	Revised vs. Plan	% Difference	Plan	DRA Revised	Revised vs. Plan	% Difference	Revised vs. Plan	% Difference
Real Estate Transfer Tax	\$9.5	\$10.8	\$1.3	14%	\$12.5	\$10.4	-\$2.1	-17%	\$15.2	\$6.08	-\$9.1	-60%	-\$10.0	-27%

Summary of FY 2020 and FY 2021 DRA Estimates

	FY 2020			FY 2021		
	Plan	DRA Revised	Revised vs. Plan	Plan	DRA Revised	Revised vs. Plan
Real Estate Transfer Tax	\$159.4	\$154.2	\$ (5.2)	\$158.4	\$135.7	\$ (22.7)

Utility Property Tax

- **DRA Revised FY 2020 and FY 2021 estimates:**
 - *May & June 2020 are reduced by the trending downward percentage, as well as anticipated reductions in payments due to credits on file.*
 - *UPT does not appear to be affected by the COVID-19 economic crisis at this point.*
 - *The estimated payments relate to the previous year's tax - e.g., the December of 2020 estimated payment will be based on the tax previously assessed in December of 2019.*
 - *Only the true-up payment in January relates to the current year - e.g., the January of 2021 true-up payment will be based on the tax that will be assessed in December of 2020.*
 - *The negative 10% adjustment is an estimate based on very preliminary assessment information.*

House Ways & Means Committee May 27, 2020

- *It is only being applied to the January of 2021 true-up payment and the April and June of 2021 estimated payments, which are based on the tax that will be assessed in December of 2020.*
- **Factors to consider:**
 - *FYTD 3.3% below Plan*
 - *FYTD 5.9% ahead of prior year*
 - *Credits on file*
 - *Some property may decline in value due to changes in economic conditions*
 - *New taxable property may be constructed*

Estimated Revenue Adjustments by Month

	FY 2020			FY 2021											
	Economic Adjustment to FY 2020 Plan	May	June	July	August	September	October	November	December	January	February	March	April	May	June
Utility Property Tax	0.0%	-24%	-8%	0%	0%	0%	0%	0%	0%	-10%	0%	0%	-10%	0%	-10%

Summary of Estimates

FY 2020 April Actual, May & June Estimates

	April 2020 Actual				May 2020				June 2020				April - June Totals	
	Plan	DAS Actual	Actual vs. Plan	% Difference	Plan	DRA Revised	Revised vs. Plan	% Difference	Plan	DRA Revised	Revised vs. Plan	% Difference	Revised vs. Plan	% Difference
Utility Property Tax	\$9.4	\$8.3	-\$1.1	-12%	\$1.0	\$0.8	-\$0.2	-24%	\$9.4	\$8.7	-\$0.7	-8%	-\$2.1	-10%

Summary of FY 2020 and FY 2021 DRA Estimates

	FY 2020			FY 2021		
	Plan	DRA Revised	Revised vs. Plan	Plan	DRA Revised	Revised vs. Plan
Utility Property Tax	\$43.4	\$41.8	\$ (1.6)	\$44.2	\$41.9	\$ (2.3)

Business Taxes BPT & BET: Split 60% BPT 40% BET

- **DRA Revised FY 2020 and FY 2021 estimates:**

- *An adjustment has been made to reduce the revenues by 2.5% compared to Plan to account for revenue performance without the effects of COVID-19.*
- *Business Tax adjustments were calculated by making assumptions about the possible effects of the COVID-19 pandemic on business activity generally and payment expectations.*
 - *Each business payment type (estimates, extensions, returns, tax notices) was considered separately and adjusted based on when taxpayers generally make such payments and how they might be affected as a result of COVID-19.*
- *Business Taxes adjustments do not follow a linear trend. The adjustments also assume the shift of \$48.2m from April to June of 2020.*
 - *This shift represents \$29.5m from payment relief provided in TIR 2020-001, as well as \$18.7m from taxpayers who were not entitled to the relief in TIR 2020-001 but who did not make a payment in April.*
 - *The 18.7m looks at the additional reduction (beyond the anticipated impact of TIR 2020-001) in revenue compared to plan for April and takes into account payment trends of large calendar year taxpayers and the impact of COVID-19 on the various payment types.*

Factors to consider:

- *FYTD 12.4% below Plan*
- *FYTD 21.4% below prior year*
- *Technical Information Release (TIR) 2020-001, which extends the Business Tax filing deadline from April 15, 2020 to June 15, 2020 for filers below certain tax liability thresholds*
- *Effects of the COVID-19 pandemic on business activity*
- *Potential for cash flow issues to impact the ability to pay*
- *Timing of economic recovery*

Estimated Revenue Adjustments by Month

	FY 2020			FY 2021											
	Economic Adjustment to FY 2020 Plan	May	June	July	August	September	October	November	December	January	February	March	April	May	June
Business Taxes	-2.5%	-41%	-10%	-44%	-35%	-35%	-30%	-12%	-1%	-21%	-31%	-28%	-25%	-9%	-17%

Summary of Estimates

FY 2020 April Actual, May & June Estimates

	April 2020 Actual				May 2020				June 2020				April - June Totals	
	Plan	DAS Actual	Actual vs. Plan	% Difference	Plan	DRA Revised	Revised vs. Plan	% Difference	Plan	DRA Revised	Revised vs. Plan	% Difference	Revised vs. Plan	% Difference
Business Taxes**	\$147.7	\$89.8	-\$57.9	-39%	\$22.3	\$13.3	-\$9.0	-41%	\$141.6	\$127.6	-\$14.0	-10%	-\$80.9	-26%

Summary of FY 2020 and FY 2021 DRA Estimates

	FY 2020			FY 2021		
	Plan	DRA Revised	Revised vs. Plan	Plan	DRA Revised	Revised vs. Plan
Business Taxes	\$795.1	\$677.5	\$ (117.6)	\$786.1	\$610.8	\$ (175.3)

** For Business and Interest and Dividends (I&D) Taxes, June assumes that all taxpayers who qualify for payment relief as provided in TIR 2020-001, dated March 30, 2020, shifted any payments due in April until June, as well as additional shifting of payments for Business taxpayers who were not entitled to the relief in TIR 2020-001. The estimated amount of payments/revenue being shifted from April to June is \$48.2m for Business Taxes, and \$19.9m for I&D Tax.

DRA Revised Estimated Revenues

Summary of Taxes

The table below lists all general and education trust fund taxes administered by the DRA, except the statewide education property tax (SWEPT), with an adjustment to Plan based on actual revenue performance prior to COVID-19 as well as the anticipated impact on revenues for the remainder of FY 2020 and all of FY 2021 due to the COVID-19 crisis:

FY 2020 April Actual, May & June Estimates

	April 2020 Actual				May 2020				June 2020				April - June Totals	
	Plan	DAS Actual	Actual vs. Plan	% Difference	Plan	DRA Revised	Revised vs. Plan	% Difference	Plan	DRA Revised	Revised vs. Plan	% Difference	Revised vs. Plan	% Difference
Business Taxes**	\$147.7	\$89.8	-\$57.9	-39%	\$22.3	\$13.3	-\$9.0	-41%	\$141.6	\$127.6	-\$14.0	-10%	-\$80.9	-26%
Meals and Rentals Tax	\$28.3	\$16.1	-\$12.2	-43%	\$26.4	\$10.4	-\$16.0	-61%	\$30.6	\$13.6	-\$17.0	-56%	-\$45.2	-53%
Tobacco Tax	\$15.2	\$20.5	\$5.3	35%	\$17.0	\$16.2	-\$0.9	-5%	\$18.7	\$18.7	\$0.0	0%	\$4.5	9%
Interest and Dividends Tax**	\$44.4	\$26.3	-\$18.1	-41%	\$1.9	\$3.1	\$1.2	62%	\$17.4	\$32.7	\$15.3	88%	-\$1.6	-2%
Communications Services Tax	\$3.3	\$3.4	\$0.1	3%	\$3.9	\$3.5	-\$0.4	-10%	\$3.5	\$3.3	-\$0.2	-5%	-\$0.5	-4%
Real Estate Transfer Tax	\$9.5	\$10.8	\$1.3	14%	\$12.5	\$10.4	-\$2.1	-17%	\$15.2	\$6.08	-\$9.1	-60%	-\$10.0	-27%
Utility Property Tax	\$9.4	\$8.3	-\$1.1	-12%	\$1.0	\$0.8	-\$0.2	-24%	\$9.4	\$8.7	-\$0.7	-8%	-\$2.1	-10%
Total DRA Taxes	\$257.8	\$175.2	-\$82.6	-32%	\$85.0	\$57.5	-\$27.5	-32%	\$236.4	\$210.7	-\$25.7	-11%	-\$135.8	-23%

Summary of FY 2020 and FY 2021 DRA Estimates

	FY 2020			FY 2021		
	Plan	DRA Revised	Revised vs. Plan	Plan	DRA Revised	Revised vs. Plan
Business Taxes	\$795.1	\$677.5	\$ (117.6)	\$786.1	\$610.8	\$ (175.3)
Meals and Rentals Tax	\$368.5	\$321.6	\$ (46.9)	\$386.9	\$323.2	\$ (63.7)
Tobacco Tax	\$198.0	\$206.8	\$ 8.8	\$201.2	\$201.2	\$ -
Interest and Dividends Tax	\$116.9	\$113.1	\$ (3.8)	\$116.9	\$95.2	\$ (21.7)
Communications Services Tax	\$40.7	\$39.7	\$ (1.0)	\$39.8	\$38.8	\$ (1.0)
Real Estate Transfer Tax	\$159.4	\$154.2	\$ (5.2)	\$158.4	\$135.7	\$ (22.7)
Utility Property Tax	\$43.4	\$41.8	\$ (1.6)	\$44.2	\$41.9	\$ (2.3)
Total DRA Taxes	\$1,722.0	\$1,554.7	\$ (167.3)	\$1,733.5	\$1,446.9	\$ (286.6)