

Amendment to HB 2-FN-A-LOCAL

1 1 Interest and Dividends Tax; Exemptions Increased; Capital Gain Income. Amend RSA 77:3, I
2 to read as follows:

3 I. Taxable income is that ***interest, dividend, and capital gain*** income, ***as defined in***
4 ***RSA 77:4***, received [~~from interest and dividends~~] during the tax year prior to the assessment date
5 by:

6 (a) Individuals who are inhabitants or residents of this state for any part of the taxable
7 year whose gross interest [~~and~~], ***gross*** dividend [~~income from all sources~~], ***and capital gain***
8 ***income, as defined in RSA 77:4***, including income from a qualified investment company pursuant
9 to RSA 77:4, V, exceeds [~~\$2,400~~] ***\$5,000*** during that taxable period.

10 (b) Partnerships, limited liability companies, and associations, the beneficial interest in
11 which is not represented by transferable shares, whose gross interest [~~and~~], ***gross*** dividend, [~~income~~
12 ~~from all sources~~] ***and capital gain income, as defined in RSA 77:4***, exceeds [~~\$2,400~~] ***\$5,000***
13 during the taxable year, but not including a qualified investment company as defined in RSA 77-
14 A:1, XXI, or a trust comprising a part of an employee benefit plan, as defined in the Employee
15 Retirement Income Security Act of 1974, section 3.

16 (c) Executors deriving their appointment from a court of this state whose gross interest
17 [~~and~~], ***gross*** dividend, [~~income from all sources~~] ***and capital gain income, as defined in***
18 ***RSA 77:4***, exceeds [~~\$2,400~~] ***\$5,000*** during the taxable year.

19 2 Taxation of Incomes; What Taxable. Amend RSA 77:4, IV and V to read as follows:

20 IV. [~~Dividends, other than that portion of a dividend declared by corporations to be a return~~
21 ~~of capital and considered by the federal internal revenue service to be such, the exemption of which~~
22 ~~is permitted by RSA 77:7.] ***The capital gain reported on the taxpayer's federal income tax***
23 ***return which shall be the amount, if any, that is equal to the positive sum of the net short-***
24 ***term capital gain or loss and the net long-term capital gain or loss reported on that***
25 ***return.***~~

26 V. Amounts reported and taxed federally as [~~dividends or interest~~] ***interest, dividend, or***
27 ***capital gain income*** to a holder of an ownership interest in a qualified investment company as
28 defined in RSA 77-A:1, XXI, a mutual fund, or a unit investment trust.

29 3 Taxation of Incomes; Exclusion of Certain Income; Employee Benefit Plans. Amend
30 RSA 77:4-b to read as follows:

31 77:4-b [~~Interest and Dividend~~] Income of Employee Benefit Plans and Tax Deferred
32 Investments Not Taxable. Notwithstanding any provisions of RSA 77:4 to the contrary, [~~interest~~

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1 ~~and dividend income]~~ **interest, dividend, and capital gain income, as defined in RSA 77:4,**
2 received by an employee benefit plan as defined by the Employee Retirement Income Security Act of
3 1974, section 3, or any successor act enacted for the purpose of regulating employee benefit plans, or
4 an individual retirement arrangement, Keogh plan or any other arrangement pursuant to which
5 payment of federal tax on the income thereof and of the plan sponsors, participants and
6 beneficiaries is deferred, shall at no time be considered taxable income under RSA 77:4, either to
7 the plan or arrangement or to its sponsors, participants or beneficiaries, irrespective of when or
8 whether all or any portion of such income is accumulated or expended for the benefit of, or
9 distributed in any form or manner to, such sponsors, participants or beneficiaries.

10 4 Taxation of Incomes; Exclusion of Certain Income; Qualified Investment Companies, Mutual
11 Funds, and Unit Investment Trusts. Amend the introductory paragraph of RSA 77:4-d to read as
12 follows:

13 77:4-d Special Rule for Qualified Investment Companies, Mutual Funds, and Unit Investment
14 Trusts. Notwithstanding any other provision of RSA 77:4, the following income items shall not be
15 treated as ~~[dividends or interest]~~ income taxable under this chapter:

16 5 Taxation of Incomes; Exclusion of Certain Income; College Tuition Savings Plans. Amend
17 RSA 77:4-e to read as follows:

18 77:4-e Interest ~~[and Dividends]~~, **Dividend, and Capital Gain Income** from Funds Invested
19 in College Tuition Savings Plan Not Taxable. Notwithstanding any provision of RSA 77:4, income
20 and distributions from any qualified tuition program as defined in the Internal Revenue Code of
21 1986, as amended, shall not be taxable under this chapter to the plan or to its sponsors,
22 participants, or beneficiaries to the extent that the same is exempt from federal income taxation
23 under section 529 of the Internal Revenue Code of 1986, as amended, as that section was in effect
24 on July 1, 2003.

25 6 Taxation of Incomes; Excess Compensation. Amend RSA 77:4-g to read as follows:

26 77:4-g ~~[Dividend]~~ **Excess Compensation.** Excess compensation determined by audit of the
27 department shall not be considered ~~[a dividend]~~ **taxable income** under this chapter unless such
28 determination is accepted by the Internal Revenue Service.

29 7 Taxation of Incomes; ABLE Plans. Amend RSA 77:4-h to read as follows:

30 77:4-h Interest ~~[and Dividends]~~, **Dividend, and Capital Gain Income** from Funds Invested
31 in Achieving a Better Life Experience (ABLE) Plan Not Taxable. Notwithstanding any provision of
32 RSA 77:4, income and distributions from any Achieving a Better Life Experience (ABLE) plan as
33 defined in the Internal Revenue Code of 1986, as amended, shall not be taxable under this chapter
34 to the plan or its sponsors, participants, or beneficiaries to the extent that the same is exempted
35 from federal income taxation under section 529A of the Internal Revenue Code of 1986, as amended.

36 8 Exemptions Increased. Amend RSA 77:5 to read as follows:

37 77:5 Exemptions. Each taxpayer shall have the following exemptions:

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1 I. Income of [~~\$2,400~~] **\$5,000**.

2 II. An additional [~~\$1,200~~] **\$7,500** if either or both taxpayers are 65 years of age or older on
3 the last day of the tax year.

4 III. An additional [~~\$1,200~~] **\$2,500** if either or both taxpayers are blind.

5 IV. An additional [~~\$1,200~~] **\$2,500** if either or both taxpayers are disabled, unable to work,
6 and have not yet reached their sixty-fifth birthday.

7 9 Taxation of Incomes; Married Taxpayers; Joint Returns. Amend RSA 77:5-a to read as
8 follows:

9 77:5-a Married Taxpayers; Joint Returns. A married taxpayer may claim the exemptions
10 provided in RSA 77:5 for both self and spouse, regardless of the ownership of the [~~income from~~
11 ~~interest or dividends,~~] **interest, dividend, or capital gain income, as defined in RSA 77:4**,
12 provided that both [~~husband and wife~~] **spouses** file a joint return.

13 10 Taxation of Incomes; Decedents Estates. Amend RSA 77:9 to read as follows:

14 77:9 Decedents' Estates. The estates of deceased persons who last dwelt in this state shall be
15 subject to the taxes imposed by this chapter upon all taxable income received by such persons
16 during their lifetime, which has not already been taxed. The [~~income~~] **interest, dividend, or**
17 **capital gain income, as defined in RSA 77:4**, received by such estates during administration
18 shall be taxable to the estate, except such proportion thereof as equals the proportion of the estate
19 to be distributed to non-taxable persons or organizations. The commissioner of revenue
20 administration and executors and administrators of estates may effect a settlement by compromise
21 of any question of doubt or dispute arising under this section.

22 11 Taxation of Incomes; Income From Trusts. Amend RSA 77:10 to read as follows:

23 77:10 Income From Trusts. [~~Interest and dividend income~~] **The interest, dividend, and**
24 **capital gain income**, received by estates held by trustees treated as grantor trusts under section
25 671 of the United States Internal Revenue Code shall be included in the return of their grantor, to
26 the extent that the grantor is an inhabitant or resident of this state. Income reported by, and taxed
27 federally as interest [~~or dividends to~~], **dividend, or capital gain income to** a trust beneficiary
28 who is an individual inhabitant or resident of this state with respect to distributions from a trust
29 that is not treated as a grantor trust under section 671 of the United States Internal Revenue Code
30 shall be included as interest [~~or dividends~~], **dividend, or capital gain income** in the return of
31 such beneficiary and subject to taxation in accordance with the provisions of this chapter.

32 12 Taxation of Incomes; Returns and Declaration. Amend RSA 77:18, IV(a) and (b) to read as
33 follows:

34 (a) Every individual whose total [~~interest and dividend income~~] **interest, dividend, or**
35 **capital gain income, as defined in RSA 77:4**, is less than [~~\$2,400~~] **\$5,000** for a taxable period.

36 (b) For joint filers whose total [~~interest and dividend income~~] **interest, dividend, or**
37 **capital gain income, as defined in RSA 77:4**, is less than [~~\$4,800~~] **\$10,000** for a taxable period.

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1 13 Repeals. The following are repealed:

2 I. RSA 77:4-c, relative to sale or exchange of transferable shares not taxable.

3 II. RSA 77:7, relative to capital distribution.

4 14 Applicability. Sections 1-13 of this act shall be applicable to tax periods ending on and after
5 December 31, 2020.

6 15 Education Trust Fund; Revenue From Tax on Interest and Dividends. Amend RSA 198:39,
7 I, (l) to read as follows:

8 (l) *\$150,000,000 of funds collected and paid to the state treasurer by the*
9 *commissioner of the department of revenue administration pursuant to RSA 77 relative to*
10 *the tax on interest and dividends and capital gains.*

11 (m) Any other moneys appropriated from the general fund.

12 16 School Money; Definitions. Amend RSA 198:38, I(a) to read as follows:

13 (a) "Average daily membership in attendance" or "ADMA" means the average daily
14 membership in attendance, as defined in RSA 189:1-d, III, of pupils in kindergarten through grade
15 12, in the determination year~~[, provided that no kindergarten pupil shall count as more than 1/2~~
16 ~~day attendance per school year]~~. ADMA shall only include pupils who are legal residents of New
17 Hampshire pursuant to RSA 193:12 and educated at school district expense which may include
18 public academies or out-of-district placements. For the purpose of calculating funding for
19 municipalities, the ADMA shall not include pupils attending chartered public schools, but shall
20 include pupils attending a charter conversion school approved by the school district in which the
21 pupil resides.

22 17 Repeal. RSA 198:48-c, III, relative to distribution of a kindergarten grant based on Keno
23 revenue, is repealed.

24 18 Cost of an Opportunity for an Adequate Education. Amend RSA 198:40-a, III to read as
25 follows:

26 III. The sum total calculated under paragraph II shall be the cost of an **opportunity for an**
27 **adequate education**. The department shall determine the cost of an **opportunity for an** adequate
28 education for each municipality based on the ADMA of pupils who reside in that municipality.

29 **IV. A school district which receives adequate education aid under this section for**
30 **schools within its jurisdiction shall separately account for such aid as part of its**
31 **financial accounting procedures. Such aid may also be used to provide enhanced**
32 **programs in schools within its jurisdiction for which such aid has been allocated that are**
33 **known to improve pupil achievement, including but not limited to: pre-kindergarten**
34 **programs, full-day kindergarten programs, extended learning time, professional**
35 **development opportunities for teachers, hiring of additional instructional and non-**
36 **instructional personnel, programs designed to reduce class size, parental involvement**
37 **programs, additional technology resources, dropout prevention programs, principal**

1 *incentive programs, and curriculum enrichment programs. The school district shall*
2 *determine which programs are most needed and most appropriate for their pupils. The*
3 *department shall annually review and update the list of approved programs from which a*
4 *school district may choose.*

5 *V. A school district which receives adequate education aid under this section for*
6 *use in schools within its jurisdiction shall annually submit a report to the commissioner*
7 *documenting for each school within its jurisdiction for which such aid has been allocated,*
8 *the enhanced programs selected for implementation, an explanation of the specific*
9 *educational needs which the program is intended to address, an explanation of how the*
10 *program will be implemented in the school, and an estimate of the cost of implementing*
11 *the program. The commissioner shall review these reports to ensure that adequate*
12 *education aid will be used to provide programs approved under paragraph I.*

13 *VI. A school district which receives adequate education aid for schools within its*
14 *jurisdiction pursuant to this section shall direct such aid to the schools for which such*
15 *aid was calculated. A school district which receives adequate education aid for pupils*
16 *that attend schools in another school district, shall direct such aid to the school district*
17 *where its pupils are being educated. Any adequate education aid directed from one school*
18 *district to another pursuant to this paragraph shall be a credit against any existing*
19 *financial liability between the school districts.*

20 19 School Money; Additional Aid Based on Free or Reduced-Price Meals; Fiscal Capacity
21 Disparity Aid. RSA 198:40-b and 40-c are repealed and reenacted to read as follows:

22 198:40-b Additional Aid Based on Free or Reduced-Price Meals.

23 I. In a school district in which 48 percent or more of the ADMA is eligible to receive a free
24 or reduced-priced meal, an additional \$3,708 for each pupil in the ADMA who is eligible for a free or
25 reduced-priced meal.

26 II. In a school district in which at least 12 percent but less than 48 percent of the ADMA is
27 eligible to receive a free or reduced-priced meal, an amount equal to \$927 plus \$0.7725 for each 0.01
28 percent that its free or reduced-priced meal eligibility rate exceeds 12 percent, for each pupil in the
29 ADMA who is eligible for a free or reduced-priced meal.

30 III. A school district in which less than 12 percent of the ADMA is eligible to receive a free
31 or reduced-priced meal shall receive no additional aid under this section.

32 198:40-c Fiscal Capacity Disparity Aid.

33 I. In addition to aid for the cost of the opportunity for an adequate education provided
34 under RSA 198:40-a, each biennium the commissioner shall calculate fiscal capacity disparity aid
35 and provide that amount of aid in each year of the biennium to a municipality's school districts as
36 follows:

37 (a) A municipality with an equalized valuation per pupil of \$350,000 or less shall

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1 receive \$6,000 per pupil in the municipality's ADMA.

2 (b) A municipality with an equalized valuation per pupil between \$350,001 and
3 \$999,999 shall receive a grant equal to .0092 cents for each dollar of difference between its equalized
4 valuation per pupil and \$1,000,000, per pupil in the municipality's ADMA.

5 (c) A municipality with an equalized valuation per pupil of \$1,000,000 or more shall
6 receive no fiscal capacity disparity aid.

7 II. Fiscal capacity disparity aid shall be distributed pursuant to RSA 198:42.

8 III. In this section, "equalized valuation per pupil" means a municipality's equalized
9 valuation, including properties subject to taxation under RSA 82 and RSA 83-F, as determined by
10 the department of revenue administration, that was the basis for the local tax assessment in the
11 determination year, divided by the school district's kindergarten through grade 12 ADMA in the
12 determination year.

13 20 School Money; Consumer Price Index Adjustment. Amend RSA 198:40-d to read as follows:
14 198:40-d Consumer Price Index Adjustment.

15 *I.* Beginning July 1, 2017 and every biennium thereafter, the department of education shall
16 adjust the cost of an adequate education under RSA 198:40-a based on the average change in the
17 Consumer Price Index for All Urban Consumers, Northeast Region, using the "services less medical
18 care services" special aggregate index, as published by the Bureau of Labor Statistics, United States
19 Department of Labor. The average change shall be calculated using the 3 calendar years ending 18
20 months before the beginning of the biennium for which the calculation is to be performed.

21 *II. Beginning July 1, 2021 and every biennium thereafter, the department of*
22 *education shall adjust the additional aid based on free or reduced-price meals as*
23 *provided in RSA 198:40-b based on the average change in the Consumer Price Index for All*
24 *Urban Consumers, Northeast Region, using the "services less medical care services"*
25 *special aggregate index, as published by the Bureau of Labor Statistics, United States*
26 *Department of Labor. The average change shall be calculated using the 3 calendar years*
27 *ending 18 months before the beginning of the biennium for which the calculation is to be*
28 *performed.*

29 21 Determination of Adequate Education Grants. Amend RSA 198:41, I to read as follows:

30 I. Except for municipalities where all school districts therein provide education to all of
31 their pupils by paying tuition to other institutions, the department of education shall determine the
32 total education grant for the municipality as follows:

33 (a) Add the per pupil cost of providing the opportunity for an adequate education for
34 which each pupil is eligible pursuant to RSA 198:40-a, I-III, and from such amount;

35 (b) Subtract the amount of the education tax warrant to be issued by the commissioner
36 of revenue administration for such municipality reported pursuant to RSA 76:8 for the next tax
37 year; *and*

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1 (c) *Add the municipality's additional aid for free or reduced-price meals*
2 *pursuant to RSA 198:40-b and fiscal capacity disparity aid pursuant to RSA 198:40-c.*

3 22 Determination of Education Grants. RSA 198:41, III is repealed and reenacted to read as
4 follows:

5 III.(a) No municipality shall receive a total education grant which is less than the total
6 education grant received in the preceding fiscal year. This subparagraph shall not apply to a
7 municipality in which the education tax revenue collected pursuant to RSA 76 exceeds the
8 municipality's total cost of an adequate education or to a municipality in which the ADMA is equal
9 to zero.

10 (b) For the fiscal year ending June 30, 2021, the department of education shall adjust a
11 municipality's total education grant to an amount not to exceed 120 percent of the total education
12 grant it received in the preceding fiscal year or an amount equal to its calculated cost of an
13 opportunity for an adequate education under RSA 198:40-a less the amount of its education tax,
14 whichever is greater. However, if a municipality received no education grant in the preceding fiscal
15 year because the municipality's education tax revenue collected pursuant to RSA 76 exceeded its
16 total cost of an adequate education, the commissioner of the department of education shall adjust
17 the municipality's total education grant to an amount not to exceed 120 percent of the amount of its
18 education tax revenue collected in the preceding fiscal year.

19 (c) For the fiscal year ending June 30, 2022, and every fiscal year thereafter, the
20 department of education shall adjust a municipality's total education grant to an amount not to
21 exceed 102 percent of the total education grant it received in the preceding fiscal year or an amount
22 equal to its calculated cost of an opportunity for an adequate education under RSA 198:40-a less the
23 amount of its education tax, whichever is greater.

24 23 Determination of Education Grants. Amend RSA 198:41, IV(d) to read as follows:

25 (d) For fiscal year 2017 [~~and each fiscal year thereafter~~] ***through fiscal year 2019***, the
26 department of education shall distribute a total education grant to each municipality in an amount
27 equal to the total education grant for the fiscal year in which the grant is calculated plus a
28 percentage of the municipality's fiscal year 2012 stabilization grant, if any, distributed to the
29 municipality; the percentage shall be 96 percent for fiscal year 2017, and shall be reduced by 4
30 percent of the amount of the 2012 education grant for each fiscal year [~~thereafter~~] ***through fiscal***
31 ***year 2019***.

32 (e) ***For fiscal year 2020, the department of education shall distribute a total***
33 ***education grant to each municipality in an amount equal to the total education grant to***
34 ***that municipality for the fiscal year in which the grant is calculated plus the amount of***
35 ***the fiscal year 2016 stabilization grant, if any, distributed to the municipality.*** No
36 stabilization grant shall be distributed to any municipality for any fiscal year in which the
37 municipality's education property tax revenue collected pursuant to RSA 76 exceeds the total cost of

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1 an adequate education or to any municipality for any fiscal year in which the municipality's ADMA
2 is zero.

3 24 Repeal. RSA 198:41, IV, relative to stabilization grants, is repealed.

4 25 Effective Date.

5 I. Sections 15, 18-22, and 24 of this act shall take effect July 1, 2020.

6 II. The remainder of this act shall take effect July 1, 2019.

UNAPPROVED

2019-1232h

AMENDED ANALYSIS

This bill:

- I. Extends the interest and dividends tax to capital gains and increases exemptions for the tax.
- II. Requires a portion of interest and dividend and capital gains tax revenues to be credited to the education trust fund.
- III. Calculates kindergarten pupils as full day attendance for the purpose of adequate education grants.
- IV. Repeals distribution of kindergarten grants based on Keno revenue.
- V. Establishes fiscal capacity disparity aid to municipalities based on equalized valuation per pupil.
- VI. Provides additional aid to municipalities based on the percentage of pupils eligible to receive a free or reduced-price meal.
- VII. Requires school districts to report on the use of adequate education grant funds.
- VIII. Provides stabilization grants to municipalities in fiscal year 2020 and repeals the grants in fiscal year 2021 and thereafter.