Department of Revenue Administration Revenue Estimates

The Department of Revenue Administration (DRA) has developed FY2025 through FY2027 revenue estimate ranges for the following taxes: Business Profits Tax (BPT), Business Enterprise Tax (BET), Meals and Rentals Tax, Tobacco Tax, Interest and Dividends Tax, Communications Services Tax, Real Estate Transfer Tax, and Utility Property Tax. The DRA estimates were calculated by adjusting FY2025 based on currently available data through January, expected monthly revenues, and considering the impacts of tax law changes. Lastly, these estimates are subject to change.

Estimate Scenarios	Description
Plan	State of NH FY2025 Revenue Plan for the General & Education Trust Funds combined
Sustaining % versus Plan	Actual revenue for the first seven months of FY2025 plus sustaining % vs Plan for the last five months of FY2025
Year-Over-Year Growth	Actual revenue for the first seven months of FY2025 plus sustaining % vs prior year for the last five months of FY2025
Actual with Plan	Actual revenue for the first seven months of FY2025 with Plan revenue for the last five months of FY2025
Actual with Prior Year	Actual revenue for the first seven months of FY2025 with actual prior year revenue for the last five months of FY2025

Business Taxes BPT & BET: Split 78.3% BPT 21.7% BET

Factors to consider:

- FYTD we are $110.3m or 18.2% below Plan
- FYTD we are $102.9m or 17.2% below prior year
- Economic growth with resetting of estimated payments
- Supply chain constraints - disruptions in ports and factories, potential tariffs or sanctions
- Low unemployment rate
- Interest rate changes

DRA Taxes - FY2025 thru FY2027 Revenue Estimate Ranges								
Business Taxes	FY2025 DRA Low	FY2025 DRA High		DRA FY2026 Low Range	DRA FY2026 High Range		DRA FY2027 Low Range	DRA FY2027 High Range
$ in Millions	$1,029.5	$1,121.3		3%	8%		3%	8%

DRA Revised FY2025 Estimate Range*:*

- Low: $229.5m or 18% below Plan
  - Assumes actual revenue for the first seven months of FY2025 plus sustaining % vs Plan for the last five months of FY2025
- High: $137.7m or 11% below Plan
  - Assumes actual revenue for the first seven months of FY2025 with actual prior year revenue for the last five months of FY2025

DRA Revised FY2026 and FY2027 Growth Estimate Range:

- FY2026: 3% to 8%
  - Growth in business taxes as taxpayers finish adjusting for overpayments which decreased revenues seen in FY2024 and FY2025
- FY2027: 3% to 8%
  - Predicted growth in business profits from continued economic growth and low unemployment

Meals & Rentals Tax (Historical Breakdown: 80% Meals, 18% Rooms and 2% Motor Vehicles)

Factors to consider:

- FYTD $6.9m or 3.3% ahead of Plan
- FYTD $6.8m or 3.3% ahead of prior year
- Inflation impact on the cost of meals
- Travel trends post pandemic
- Transfers to the Municipal Revenue Fund (MF) in accordance with RSA 78-A:26 and School Building Aid Debt Service (SBA) in accordance with RSA 78-A:26,I (a)

DRA Taxes - FY2025 thru FY2027 Revenue Estimate Ranges								
Meals and Rentals Tax	**FY2025 DRA Low**	**FY2025 DRA High**		**DRA FY2026 Low Range**	**DRA FY2026 High Range**		**DRA FY2027 Low Range**	**DRA FY2027 High Range**
$ in Millions	$475.1	$479.1		2%	5%		2%	5%
Transfers to MF & SBA	-$143.2	-$143.2		-$144.8	-$146.0		-$147.3	-$152.7
Net	$331.9	$335.9						

DRA Revised FY2025 Estimate Range*:*

- Low: $6.9m or 2% ahead of Plan
  - Actual revenue for the first seven months of FY2025 with Plan revenue for the last five months of FY2025
- High: $10.9m or 3% ahead of Plan
  - Assumes actual revenue for the first seven months of FY2025 plus sustaining % vs Plan for the last five months of FY2025

DRA Revised FY2026 and FY2027 Growth Estimate Range*:*

- FY2026: 2% to 5%
  - Low assumes that the impact of inflation and/or slowing travel keeps M&R flat
  - High assumes continued increases in demand and/or prices
- FY2027: 2% to 5%
  - Historical growth rates for M&R

Tobacco Tax (FY2024 Revenue Breakdown: 83% Cigarette Stamps and 17% Other Tobacco Products)

Factors to consider:

- FYTD we are $18.1m or 14.0% below Plan
- FYTD we are $5.6m or 4.8% below prior year
- Stamps sales are declining while Other Tobacco Products (OTP) sales are growing
- Availability of products in surrounding states and cross-border elasticity

DRA Taxes - FY2025 thru FY2027 Revenue Estimate Ranges								
Tobacco Tax	**FY2025 DRA Low**	**FY2025 DRA High**		**DRA FY2026 Low Range**	**DRA FY2026 High Range**		**DRA FY2027 Low Range**	**DRA FY2027 High Range**
$ in Millions	$182.6	$185.3		-5%	-3%		-3%	0%

DRA Revised FY2025 Estimate Range:

- Low: $29.7m or 14% below Plan
  - Assumes actual revenue for the first seven months of FY2025 plus sustaining % vs Plan for the last five months of FY2025
- High: $27.0m or 13% below Plan
  - Assumes actual revenue for the first seven months of FY2025 with actual prior year revenue for the last five months of FY2025

DRA Revised FY2026 and FY2027 Growth Estimate Range:

- FY2026: -5% to -3%
  - Historic year-over-year reductions in cigarette stamp sales due to cessation efforts slightly offset by an increase in OTP
- FY2027: -3% to 0%
  - Growth consistent with historic trends

Interest & Dividends Tax

TY 2023 Breakdown: 32.5% Taxable Annuities or Actual Cash & Property Distributions, 35.6% Dividend Income, 26.9% Interest Income and 5.0% Federal Tax Exempt Interest Income

Factors to consider:

- FYTD we are $20.7m or 55.2% ahead of Plan
- FYTD we are $5.7m or 8.9% below prior year
- I&D repealed effective tax years beginning on or after January 1, 2025
- Residual revenues received from returns filed on extension and tax notice activity after FY2025

DRA Taxes - FY2025 thru FY2027 Revenue Estimate Ranges								
Interest and Dividends Tax	FY2025 DRA Low	FY2025 DRA High		DRA FY2026 Low Range	DRA FY2026 High Range		DRA FY2027 Low Range	DRA FY2027 High Range
$ in Millions	$131.8	$217.5		0%	0%		0%	0%
Tax Law Changes	-$49.8	-$49.8		-$125.5	-$125.5		-$8.7	-$8.7
Net Tax Law Changes	$82.0	$167.7						

DRA Revised FY2025 Estimate:

- Low: No change from Plan
  - Assumes FY2025 Plan
- High: $85.7m or 105% ahead of Plan
  - Assumes actual revenue for the first seven months of FY2025 plus sustaining % vs prior year for the last five months of FY2025, minus the impact of the rate reduction.

DRA Revised FY2026 and FY2027 Growth Estimate Range:

- FY2026: No growth
  - I&D repealed effective tax years beginning on or after January 1, 2025. FY2026 assumes residual revenues from returns filed on extension and tax notice activity.
- FY2027: No growth
  - I&D repealed effective tax years beginning on or after January 1, 2025 and assumes minimal additional revenue from tax notice activity.

Communications Services Tax

Factors to consider:

- FYTD we are $0.4m or 2.3% below Plan
- FYTD we are $0.9m or 4.9% below prior year
- Use of video conferencing
- Decreased use of VoIP and traditional telephone
- Shift in allocation of billing of wireless plans from voice to data

DRA Taxes - FY2025 thru FY2027 Revenue Estimate Ranges								
Communications Services Tax	**FY2025 DRA Low**	**FY2025 DRA High**		**DRA FY2026 Low Range**	**DRA FY2026 High Range**		**DRA FY2027 Low Range**	**DRA FY2027 High Range**
$ in Millions	$29.1	$30.0		-3%	0%		-3%	0%

DRA Revised FY2025 Estimate:

- Low: -$0.9 or -3% below Plan
  - Assumes actual revenue for the first seven months of FY2025 plus sustaining % vs prior year for the last five months of FY2025
- High: $0 or Plan
  - Assumes FY2025 Plan

DRA Revised FY2026 and FY2027 Growth Estimate Range:

- FY2026: -3% to 0%
- FY2027: -3% to 0%

Real Estate Transfer Tax

Factors to consider:

- FYTD we are $8.9m or 6.5% below Plan
- FYTD we are $8.6m or 7.2% ahead of prior year
- FYTD amounts are net of the $5m transfer to the Affordable Housing Fund (AHF) as provided in RSA 78-B:13, III
- Mortgage interest rates have increased and remained steady at the higher rates
- Median sales price remains at a high level
- Inventory shortage, cost of building supplies, and a lower affordability factor

DRA Taxes - FY2025 thru FY2027 Revenue Estimate Ranges								
Real Estate Transfer Tax	FY2025 DRA Low	FY2025 DRA High		DRA FY2026 Low Range	DRA FY2026 High Range		DRA FY2027 Low Range	DRA FY2027 High Range
$ in Millions	$202.7	$206.1		3%	8%		3%	8%
Transfers to AHF	-$5.0	-$5.0		-$5.0	-$5.0		-$5.0	-$5.0
Net Transfers	$197.7	$201.1						

DRA Revised FY2025 Estimate Range:

- Low: $12.3m or 6% below Plan
  - Assumes actual revenue for the first seven months of FY2025 plus sustaining % vs prior year for the last five months of FY2025
- High: $8.9m or 4% below Plan
  - Assumes actual revenue for the first seven months of FY2025 with Plan revenue for the last five months of FY2025

DRA Revised FY2026 and FY2027 Growth Estimate Range:

- FY2026: 3% to 8%
  - Assumes a small rebound after the post real estate peak decline caused by a lack of available and affordable inventory
- FY2027: 3% to 8%
  - Assumes historical trends are maintained

Utility Property Tax

Factors to consider:

- FYTD $1.3m or 5.8% ahead of Plan
- FYTD $0.6m or 2.5% below prior year
- Fluctuations in property value
- New taxable property may be constructed
- Taxpayers using credits on account

DRA Taxes - FY2025 thru FY2027 Revenue Estimate Ranges								
Utility Property Tax	**FY2025 DRA Low**	**FY2025 DRA High**		**DRA FY2026 Low Range**	**DRA FY2026 High Range**		**DRA FY2027 Low Range**	**DRA FY2027 High Range**
$ in Millions	$44.3	$46.1		0.0%	3.0%		0.0%	3.0%

DRA Revised FY2025 Estimate:

- Low: $1.3m or 3% ahead of Plan
  - Assumes actual revenue for the first seven months of FY2025 with Plan revenue for the last five months of FY2025
- High: $3.1m or 7% ahead of Plan
  - Assumes actual revenue for the first seven months of FY2025 with actual prior year revenue for the last five months of FY2025

DRA Revised FY2026 and FY2027 Growth Estimate Range:

- FY2026: 0% to 3%
- FY2027: 0% to 3%

DRA Estimated Revenues

Summary of Taxes

The table below summarizes the DRA's estimated revenue ranges for FY2025 as well as growth ranges for FY2026 thru FY2027. Growth rates are not net of tax law changes and transfers.

DRA Taxes - FY2025 thru FY2027 Revenue Estimate Ranges								
$ in Millions	FY2025 DRA Low	FY2025 DRA High		DRA FY2026 Low Range	DRA FY2026 High Range		DRA FY2027 Low Range	DRA FY2027 High Range
Business Taxes	$1,029.5	$1,121.3		3%	8%		3%	8%
Meals and Rentals Tax	$331.9	$335.9		2%	5%		2%	5%
Tobacco Tax	$182.6	$185.3		-5%	-3%		-3%	0%
Interest and Dividends Tax	$82.0	$167.7		0%	0%		0%	0%
Communications Services Tax	$29.1	$30.0		-3%	0%		-3%	0%
Real Estate Transfer Tax	$197.7	$201.1		3%	8%		3%	8%
Utility Property Tax	$44.3	$46.1		0%	3%		0%	3%