

Governor's Consensus Revenue Estimating Panel Minutes  
State House  
Concord, NH  
September 3, 2015

Members Present:

**Meredith Telus**, Governor's Budget Director (Chair)  
**Carolynn Ward**, Department of Revenue  
**Melissa Rollins**, Department of Revenue  
**Gerard Murphy**, State Comptroller, Department of Administrative Services  
**Dennis Delay**, New Hampshire Center for Public Policy Studies  
**Jeff McLynch**, New Hampshire Fiscal Policy Institute  
**Greg Bird**, New Hampshire Fiscal Policy Institute  
**Dick Samuels**, McLane Law

**Absent:** **Ross Gittell**, Chancellor of the Community College System of New Hampshire

**2:30pm** Chair opened the meeting.

Greg Bird of NHFPI passed out two surveys of economists showing economic forecasts for GDP, CPI and unemployment - one from the Wall Street Journal and one from the Philadelphia Federal Reserve. Greg explained there were nominal revisions downward from when the Panel last met in May, but nothing to really change outlook. Greg noted the surveys were done prior to the last three weeks of increased market volatility.

Dennis Delay shared that he took part in a webinar from Moody's Analytics which showed that recent changes in four major economic factors (lower stock prices, lower oil prices, increased appreciation of the dollar and lower mortgage rates) will generally net out over time. While there may be a net negative impact for the first two to three quarters, that could turn to a positive impact within a year and will eventually level out.

There was some discussion of why BET revenue would be decreasing given lowered unemployment rates. Melissa Rollins and Gerard Murphy reported the split in revenue between the BPT and BET amounts in the cash and accrual revenue reports are not final and therefore while the total business tax revenue is not likely to change the amount attributed to BET and BPT could change.

Melissa Rollins reviewed the most recent increases/decreases in business tax and I&D returns, estimates, extensions, and refunds. The DRA is not changing growth estimates at this time.

Meredith Telus and Greg Bird each shared a 2016 "plan" estimate. Telus's plan calculated the anticipated plan for each of the revenue sources over the last three years and showed July and August revenues to be \$6 million ahead of plan. Greg Bird used total revenues over the last five years and calculated July and August to be \$2 million above plan.

The panel discussed each of the major revenue sources and noted:

- Based on final Meals and Rooms revenue the Committee of Conference revenue may be low.

- Interest and Dividends could theoretically continue to improve if businesses are paying dividends over the next two years. DRA noted some of the growth seen over the last few months may be attributable to the modernized e-file which may have drawn in more taxpayers earlier than otherwise.
- There was some discussion of Communication Services Tax decreasing beyond what would be expected just given the exemption to internet services. This may be due to increasing demographic using pre-paid cards, which are exempted from the tax; from people with both landlines and cell phones discontinuing the landline; or switching to VoIP landlines.
- Meredith Telus noted compared to the accrual revenue report, the growth to the Committee of Conference revenue estimate for Real Estate Transfer Tax would be less than one percent. Jeff McLynch suggested it would be helpful to gather more data about housing sales and prices and activity in September then revisit the RETT estimate.
- Gerard Murphy is going to check where the Committee of Conference decrease in "Other" might have been
- UPT has been increasing beyond expectations, which is likely linked to increased valuation due to higher electricity prices.

The panel would like to revisit Business Tax estimates later in September, with new jobs numbers. Jobs numbers may help inform when the Fed may increase interest rates and by how much. Also, September is an estimate month for business taxes and therefore could be more informative.

Gerard Murphy, comptroller, explained the change in Business Taxes from cash to accrual revenue (reduction of \$11.3 million). The bulk of the change is due to the GAAP analysis performed during the fiscal year closing process comparing the balance of credit carryovers for business taxpayers with a projection of future business tax audit revenue. In FY 2015, for the first time, this analysis revealed that the liability for the credit carryover balance was greater than the estimate of future audit revenue, which lead to business tax collections to be adjusted downward by that amount on a GAAP basis. The Chair, Murphy, and Rollins discussed whether the growth trend in business would be based off cash or accrual revenue amounts. Murphy stated that a negative GAAP adjustment of this size would be less likely in subsequent fiscal years and that growth would more likely be reflected from the cash revenue amount, as business taxes will grow from current profits and wages. He also stated the methodology to determine projected future audit revenue is subject to further review and change. Melissa Rollins stated the DRA had prepared growth estimates for House Ways and Means based on the accrual revenue at the request of the Committee.

The meeting adjourned at 4:00. There is no scheduled time for the next meeting.