



AMERICANS for TAX REFORM

June 26, 2019

To: Members of the New Hampshire House of Representatives and Senate
From: Americans for Tax Reform

Re: Oppose Tax Increases Included in State Budget

Dear Representatives and Senators,

On behalf of Americans for Tax Reform (ATR) and our supporters across New Hampshire, **I urge you to oppose the tax increases included in the state budget for fiscal years 2020 and 2021.** If implemented, **these tax hikes would inflict a great deal of harm on the hardworking individual taxpayers, families, and employers across the Granite State.**

New Hampshire is almost one of the seven no income tax states – soon to be eight, as Tennessee is in the process of phasing out its Hall Tax – and one of the five states that do not impose state sales taxes. Unsurprisingly, these pro-growth policies have resulted in New Hampshire having the lowest poverty rate, the third lowest unemployment rate, and one of the highest average incomes in the nation.

The state budget undermines this success, however, by imposing considerable tax hikes on businesses, and electronic cigarettes and vapor products. Back in 2015, **there was agreement that the corporate taxes imposed in New Hampshire were preventing further growth.** To mitigate this issue, legislation was enacted that started phasing down the Business Profits Tax (BPT) rate, which was a whopping 8.2 percent that year, and the Business Enterprise tax (BET) rate, which was 0.72.

To build upon that success, the 2018-19 state budget instituted further reductions. The BPT was reduced from 7.9 percent to 7.7 percent in 2019 – this year – and will be reduced again to 7.5 percent in 2021. Similarly, the BET was reduced from 0.675 to 0.6 percent this year, and will be reduced again to 0.5 percent in 2021. That is, if lawmakers allow the law to be fully implemented.

The committee on conference's budget, which fortunately does not include the 0.5 percent income tax and the 5 percent capital gains tax, would take the BPT rate back to 7.9 percent and the BET rate back to 0.675 percent, **imposing a retroactive tax hike for 2019.** In addition, **it would also prevent the 2021 tax cuts from taking effect.** Contrary to claims that the latter provision simply prevents a future tax cut, **it is accurately described as a tax increase** since, under current law, rate reductions are supposed to take effect.

If implemented, these provisions in the budget would impose massive tax hikes that would result in lower wages and fewer jobs. Indeed, **scholarly research over the years has concluded between 75 percent and 100 percent of corporate taxes are borne by workers.** Not owners, as proponents of big government often claim.

Adding insult to injury, the committee of conference's budget would also impose taxes on vapor products and e-cigarettes. **E-cigarettes and vapor products are at least 95 percent less harmful than traditional cigarettes** according to Public Health England and the Royal College of

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Physicians, among others. **Subjecting these products to sin taxes works at cross purposes with the effort to reduce the harm associated with cigarette use.** It also sends the wrong message to adult smokers – that switching to vapor products is not encouraged by the state.

Ranging from the Food and Drug Administration to government-funded public health agencies around the world, the public health community is embracing the harm-reducing potential of vapor products more and more by the day. In fact, the American Cancer Society has affirmed that “using current generation e-cigarettes is less harmful than smoking cigarettes.” These smoke-free alternatives to cigarettes are innovative and raising their price with needless tax hikes would not only send the wrong message to smokers, but would also harm businesses in New Hampshire.

ATR opposes the BPT and BET tax increases, as well as the new taxes on e- cigarettes and vapor products that are currently included in the state budget and urges lawmakers to vote NO on these provisions.

Sincerely,

Grover Norquist
President
Americans for Tax Reform