

# Legislators are misleading the public about budget NEW HAMPSHIRE VOICES

## Opinion

LEGISLATIVE LEADERS are systematically misrepresenting the tax impact of the state budget. Contrary to their repeated assertions, it does raise taxes. And it raises them on New Hampshire employers, not just out-of-state corporations.

Elected officials from the current House and Senate majorities are going to great lengths to obscure the truth. And most media outlets have simply repeated the disinformation without correction or clarification. For those who care to know, here are the facts.

The biggest false claim being repeated daily is that the budget doesn't raise taxes. For example: The House and Senate majority leaders wrote in a joint column distributed last month that "the House and Senate stabilized the business tax rates...."

On July 1, Sen. David Watters, D-Dover, tweeted that the budget had "no new taxes."

State Rep. Marjorie Porter, D-Hillsborough, put it in simpler terms in her own column. "There is no business tax increase. (Emphasis in original.) This is one of those pieces of misinformation. The BPT tax rate remains the same as it is right now."

Senate Majority Leader Dan Feltes again claimed in a recent Concord Monitor column that Gov. Sununu vetoed the budget "simply because he didn't get even more tax breaks for out-of-state corporations."

Each of those claims is false. The budget did not stabilize business tax rates. It raised them. It did so not in the future, but this year. Had the budget become law, instead of being vetoed by

How strange.

Legislative leaders are further confusing the issue by claiming that Gov. Sununu vetoed the budget to give further tax cuts that "would mainly benefit out-of-state corporations."

That's deliberately misleading, in two important ways.

First, the governor had offered to give up the additional tax cuts that were already scheduled to take effect in 2021. So it's not true that he vetoed the budget to keep those cuts.

Second, in New Hampshire all businesses pay the same tax rates. There aren't different rates for different types of companies. The budget's tax increases hit all employers, from your mom-and-pop bakery to BAE Systems.

The misleading talking point comes from state data showing that businesses headquartered out of state pay 57% of the BPT and 51% of the BET.

So business tax cuts must primarily benefit them, right?

Wrong. All businesses pay the same tax rates, so maintaining high rates on out-ofstate companies also maintains high rates on in-state companies. Punishing "out-ofstate corporations" with high tax rates also punishes in-state small businesses.

Raising business tax rates actually hurts small, local businesses the most because they are more sensitive to such expenses. A local pizza shop can't cover its New Hampshire tax bill by transferring money from its Asian subsidiaries. It doesn't have Asian subsidiaries.

the governor, New Hampshire employers would be paying higher tax rates right now.

This is not speculation. The language is on Pages **86-87** of the budget. We further confirmed it with the Department of Revenue Administration.

The budget raises business tax rates as follows: Last year, the Business Profits Tax (BPT) rate was 7.9% and the Business Enterprise Tax (BET) rate was 0.675%. By law, those rates fell to 7.7% and 0.6%, respectively, on Jan. 1 of this year. Those lower rates have been in effect for all employers all year long.

The Legislature's budget eliminated the lower 2019 tax rates and replaced them with the higher 2018 rates — effective immediately. That is a tax increase.

Yet legislative leaders are falsely claiming that the budget did not raise taxes. That's mystifying, since they campaigned last fall on the promise that they would raise those taxes.

Democratic nominee for governor Molly Kelly made raising business taxes a centerpiece of her campaign. She pledged to "repeal these corporate tax breaks."

The state Democratic Party's "Granite State Opportunity Plan," meant to align the party behind a unified campaign message, opposed the business tax cuts implemented in the "last session" of the Legislature. Those include this year's rates.

Raising this year's business tax rates was a Democratic campaign promise. They kept that promise. But instead of boasting about it, they're trying to hide it.

Besides, local concerns make up 95 percent of New Hampshire businesses; out-of-state corporations account for only 5 percent.

The budget Gov. Sununu vetoed would have spent almost \$500 million more than the governor proposed to spend and would have raised business taxes by \$93 million. Obviously, Democrats in the Legislature disagree with the Republican governor about how much the state should tax and spend. And that's the debate we should be having.

But instead of making the case that their spending priorities are worth the higher tax rates, legislative leaders are pretending that New Hampshire can have half a billion dollars in new spending without raising taxes. It can't, and the people deserve to be told that.

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