

# Republican Review

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## INSIDE THIS ISSUE

ICYMI: AFP AD	2
Enhanced ID legislation	3
Press Release: Enhanced ID	4

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## Job Bradley: Business tax reduction improves NH's competitiveness

SUMMER IS over and so is the state budget standoff, finally. It was always business tax reductions that divided Gov. Maggie Hassan and legislative leaders. There is a philosophical divide: The governor proposed higher taxes on businesses; legislators fought for lower taxes to make New Hampshire more competitive.

We are fond of claiming our state has a “New Hampshire Advantage” due to lower taxes. But that advantage only applies to our lack of a sales or income tax. New Hampshire has the 48th worst corporate tax ranking in the nation due to our 8.5 percent tax on corporate profits (the business profits tax, or BPT), plus a tax on payroll and debt paid by businesses (the business enterprise tax, or BET). These high taxes are no advantage!

When reductions are fully implemented over four years, the BPT will only be one tenth of a percent below a similar tax in Massachusetts. Ours will be 7.9 percent, theirs 8 percent. That’s hardly a radical proposal. Given New Hampshire’s high costs for electricity, health insurance and workers compensation, gradually lowering business taxes is critical.

Groups such as the Business and Industry Association, the National Federation of Independent Businesses, the New Hampshire High Tech Council and many business leaders support the modest tax reductions to improve New Hampshire’s competitive disadvantage.

But the governor disagreed. She has long supported higher business taxes, starting with the ill-fated LLC tax as well as a proposal this year to allow the Department of Revenue Administration (DRA) to once again easily tax a business owner’s salary at the 8.5 percent BPT rate if DRA deems that salary unreasonable.

She also claimed our modest business tax cuts will create a \$90 million hole in budgets several years from now. The agreement included a revenue trigger that must be achieved for the second phase of the business tax cuts to occur. This compromise is reasonable because the revenue trigger is achievable.

Why are business tax cuts important? Quite simply, we can no longer avoid the impact of high business taxes on our ability to retain and grow jobs.

Opponents of tax reductions point to Kansas. Kansas’s tax cuts were huge, New Hampshire’s are modest. The top Kansas income tax rate dropped 24 percent and eliminated the tax on small business owners filing as individuals. New Hampshire’s BET will drop 10 percent over five years and the BPT 7 percent over the same time. Counting on immediate revenue growth from its tax plan, Kansas increased spending. New Hampshire has used conservative revenue estimates that produced \$40 million of surplus revenue in the budget that just closed and accounted for the projected cost of the tax reduction in the 2016-17 budget.

Comparing New Hampshire to Kansas is like comparing a pea to a grapefruit.

*CONTINUED ON PAGE 2*

Interestingly, even though Kansas had to make some mid-course revenue corrections, the tax cuts have stimulated the Kansas economy. Unemployment has dropped, hourly wages have grown and the Kansas side of Kansas City has experienced far more robust job and wage growth than the Missouri side.

Other states that have reduced taxes have also seen positive results. North Carolina enacted a flat income tax with lower rates and lowered corporate taxes. Revenues are \$400 million over projections and 200,000 jobs have been created.

Rhode Island is lowering its corporate tax from 9 percent to 7 percent. That state ended fiscal year 2014 with a surplus of \$68 million and has a surplus of \$100 million so far in fiscal year 2015.

Ohio has lowered income taxes by 10 percent and reduced business taxes over the past few years. Its Rainy Day Fund has grown by \$500 million to \$2 billion. At the same time, the Ohio unemployment rate dropped from 7.5 percent in 2013 to 5 percent today.

Compare these states to Connecticut, which recently raised business taxes. Major employers like Aetna and GE have threatened to leave the Nutmeg State. Alarming, one of the tax hikes in Connecticut is also one Gov. Hassan proposed: taxing a company's profits that are earned in another country.

As other states have enhanced their competitive position while maintaining realistic budgets, it is even more important that New Hampshire not lag further behind. This budget is a good, bipartisan compromise. The Legislature has appropriately funded New Hampshire's priorities, from substance abuse to infrastructure.

These priorities can be funded in future budgets even with modest business tax reductions with proper and effective management of state expenditures. To leave New Hampshire employers with today's competitive tax disadvantage harms their ability to provide jobs with good benefits to New Hampshire's hard-working families.



### ICYMI: AFP thanks legislature in full page UL ad

In case you missed it, Americans for Prosperity took out a full page ad in today's Union Leader thanking the legislature for voting to cut business taxes.

After months of negotiations, and pressure from within her own party and from outside advocacy groups representing constituencies who would benefit from the Republican budget passed in June, Governor Hassan conceded on her biggest concern: business tax cuts.

The business tax relief passed represents the first rate reduction in 20 years. This business tax relief will benefit businesses who employ 95% of New Hampshire's private sector workforce. This is a critical step in making New Hampshire more competitive in attracting businesses and growing our economy.

## Frequently Asked Questions: NH Enhanced ID Legislation

Over the past week, we have received numerous questions about legislation regarding making NH compliant with the federal REAL ID Act. There is currently a bill being drafted to address this issue, but we wanted to distribute some answers to frequently asked questions about REAL ID so you can better answer your constituents' questions.

### **What is REAL ID?**

The REAL ID Act was originally passed by Congress as a result of the 9/11 Commission Report in order to set the standards for the issuance of sources of identification, such as driver's licenses.

In 2013, the Department of Homeland Security (DHS) announced an enforcement plan that would "implement the Act in a measured, fair, and responsible way."

The federal government has changed the requirements for REAL ID compliance. Prior legislation that has come before the House did not have the benefit of incorporating these changes that improve flexibility and privacy.

### **What does REAL ID compliance NOT do?**

Compliance with REAL ID no longer creates a national ID card, a Federal database of driver information, or Federal access to state data. It does not authorize DHS to regulate issuance of driver's licenses and identification cards by states. It does not prevent any state from issuing non-compliant driver's licenses or identification cards. However, the non-compliant cards must incorporate a unique design and clearly indicate that the document may not be accepted for official purposes.

### **What if I don't want to comply with REAL ID?**

That's okay. Any legislation passed would be unique to New Hampshire and be strictly optional. If you were to opt-in, you would need to produce documentation proving your identity and citizenship and allow the Department of Safety to keep your social security number and photo on file. If you decide not to opt-in, you can keep your traditional license and your social security number and photo will not be kept on file, at your request.

However, if you decide not to opt-in, your passport or enhanced screening will be required to travel on domestic flights and to enter government buildings.

Information provided to the Department of Safety would not be accessible to the federal authorities.

### **Will I need a get a new license right away?**

No. There will be a five year phase in period. As long as it is in the process of being implemented in New Hampshire, your current ID will be adequate until its expiration date. So, whether you choose to get an enhanced ID or choose to keep your traditional ID, both will be valid for air travel and other purposes until 2020.

### **What are the consequences of not complying with REAL ID?**

If the legislature does nothing and does not have a compliance plan in place, beginning some time in 2016, New Hampshire issued ID's may not be accepted for domestic air travel, federal government building access or other important activities.

By passing this type of opt-in, privacy sensitive bill, we avoid causing that difficulty for our residents. In addition we are provided a 5 year window for citizens to get new enhanced IDs if they choose, or new traditional IDs with the understanding that the document may not be accepted for official purposes.

Bill text will be made available as soon as drafting and approval is complete.

# NH to take up enhanced ID bill in January

## Bi-partisan legislation has already been filed

CONCORD - New Hampshire **House Speaker Pro Tem Sherman Packard (R-Londonderry)** has filed a bill to address New Hampshire's compliance with federal identification laws, commonly referred to as REAL ID.

Legislative service request 2016-2112, which will be assigned a bill number once the language is reviewed and approved, will provide a mechanism to transition New Hampshire state issued IDs to a compliant version, which will in turn ensure current IDs are acceptable for travel and other common purposes during a 5-year transition period.

"This is a very important piece of legislation that will ensure New Hampshire citizens don't need to carry multiple forms of identification when they travel or visit federal buildings," **Packard said**. "As soon as the federal government alerted us to the fact that they would begin to enforce federal ID standards in the coming year, we got the pieces in place to ensure the legislature can solve the problem before it becomes a problem."

"No one has to worry about changing their license right away. By passing this New Hampshire specific bill, we will continue to be able to use our current IDs without a problem for travel and other purposes during a 5 year transition period. During those 5 years, our state issued ID system will undergo a series of changes to comply with the federal standards," **Packard continued**. "We anticipate giving citizens the option to opt-out of the REAL ID program if they object to providing certain personal information required for a federally accepted ID. We anticipate most granite stater will chose to opt-in and have an ID they can use universally."

Under the proposed bill, if a New Hampshire citizen were to opt-in, the Department of Safety would keep their social security number and photo on file. If they decide not to opt-in, they can keep their regular license and, at their request, their social security number and photo will not be kept on file. However, if they decide not to opt-in, their passport will be required to travel on domestic flights and enter government buildings, such as a White House tour. The non-compliant cards will incorporate a unique design and clearly indicate that the document may not be accepted for official purposes.

"Important to note," **said Packard**, "is that our compliance with REAL ID will not create a national ID card, it will not put New Hampshire citizens in a federal database of driver information, and federal authorities will not have access to any new state data.

Bill text will be made available as soon as drafting and approval is complete.



### Congratulations to LBA Jeff Pattison!

On Friday, the Speaker presented Legislative Budget Assistant Jeff Pattison with a clock embossed with the NH State seal from New Hampshire Clock Works in Alton.

Jeff retired at the end of August after 32 years with the LBA. Jeff has been instrumental in assisting the finance committee with numerous state budgets, and has been a tremendous resource. He will be greatly missed, and we wish him the best in retirement!