

New Hampshire Fact Book: Taxes and Business Climate

Compiled by:



**Public Service
of New Hampshire**

The Northeast Utilities System

**Economic and Community Development Division
Public Service of New Hampshire (PSNH)
*“Helping Businesses Prosper”***

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Introduction

The New Hampshire Fact Book is a compilation of public available data sources about the state of New Hampshire by Public Service of New Hampshire's (PSNH) Economic and Community Development Division. It was developed as a tool for economic development professionals to use when deciding where to locate a new or expanding facility. All information is believed to be accurate and from reliable sources. PSNH is not responsible for inaccurate data represented in this publication.

Taxes and Business Climate

New Hampshire is a low cost state in a high cost region. New Hampshire offers one of the lowest tax burdens in the country for business owners and their workers. They take home more of their income than in many other states. And there are a number of financial resources for business owners.

Taxes

- No sales tax
- No use tax
- No broad base income tax
- No capital gains tax
- No inventory tax
- No higher assessment for commercial or industrial real estate
- Loan guarantees
- Tax exempt financing for manufacturers

Even with short-term tax abatements, credits, exemptions or cash subsidies offered by other states, the state of New Hampshire is still often less expensive as a place to do business. Sooner or later, the recipient of subsidies becomes subject to the taxation necessary to generate all future subsidies. Instead, New Hampshire believes that less taxes and smaller government are better forms of incentives in the long-term.

| 2009 State-to-State Comparisons | | | | | | | | |
|--|-------|-------|-------|-------|-------|------|-------|-------|
| | NH | CT | ME | MA | RI | VT | NY | NC |
| Corporate Income Tax % | 8.5 | 7.5 | 8.93 | 9.5 | 9.0 | 8.5 | 8.307 | 6.9 |
| Personal Income Tax % | 0.0 | 5.0 | 8.5 | 5.3 | 7.0 | 9.5 | 6.85 | 7.8 |
| Sales Tax & Use Tax % | 0.0 | 6.0 | 5.0 | 5.0 | 7.0 | 6.0 | 4.0 | 4.5 |
| Capital Gains Tax % | 0.0 | 5.0 | 8.5 | 5.3 | 7.0 | 5.7 | 6.85 | 7.8 |
| Internet Access Tax | Y | N | N | N | N | N | N | N |
| Business Personal Property Tax | N | N | N | N | N | N | N | N |
| Unemployment Insurance Tax/ Per Employee | \$136 | \$465 | \$184 | \$354 | \$437 | \$80 | \$349 | \$232 |
| Right to Work State | N | N | N | N | N | N | N | Y |

Source: NH Business Resource Center,

www.nheconomy.com/recruitment/state-to-state-comparison.aspx

New Hampshire is one of the most business friendly states in the United States. The Tax Foundation ranked New Hampshire 8th overall in the Best Business Tax Climate.

| Ranking | State |
|---------|----------------|
| 8 | New Hampshire |
| 32 | Massachusetts |
| 37 | Connecticut |
| 39 | North Carolina |
| 40 | Maine |
| 43 | Vermont |
| 46 | Rhode Island |
| 49 | New York |

Source: Tax Foundation, 2009

New Hampshire Business Taxes

Business Profits Tax (BPT):

- An 8.5% tax is assessed on income from conducting business activity within the state.
- Any business organization, organized for gain or profit carrying on business activity within the state is subject to this tax. However, organizations with \$50,000 or less of gross receipts from all their activities are not required to file a return.

Business Enterprise Tax (BET):

- 0.75% tax is assessed on the enterprise value tax base, which is the sum of all compensation paid or accrued, interest paid or accrued, and dividends paid by the business enterprise, after special adjustments and apportionment.
- Enterprises with more than \$150,000 of gross receipts from all their activities, or an enterprise value tax base more than \$75,000, are required to file a return.

Communication Services Tax:

- A 7% tax on all two-way communication services.
- The tax is paid by the consumer and collected by two-way communication providers. All two-way communication providers are responsible for collecting the tax from the consumer and filing a return with the Department.

Real Estate Transfer Tax:

- A tax on the transfer, sale or granting of real property or an interest in real property. The tax is \$.75 per \$100 of the price or consideration of the transfer.
- The tax is assessed on both the buyer and the seller, with a minimum charge of \$20 each.

State Education Property Tax:

- A state education property tax is assessed on all New Hampshire property owners. The tax is assessed and collected by local municipalities. Local property taxes, based upon assessed valuation, are assessed, levied and collected by municipalities.
- Local property tax rates can be found on the NH Department of Revenue Administration website www.nh.gov/revenue.

For more information on state taxes visit the New Hampshire Department of Revenue Tax Administration website www.nh.gov/revenue.

Business and Financial Incentives

Financial Incentives

In addition to low taxes, the state of New Hampshire provides financial incentives to assist businesses in relocating and expanding in the state – all tailored to the size of individual projects, ranging from two employees to 2,000 employees. These incentives include:

Revitalization Zone Tax Credits (Formally CROP Zone)

The state offers a program called Revitalization Zone Tax Credits. Revitalization Zone Tax Credits, which is a short term, tax credit against the business profits and enterprise taxes. To qualify, the location must meet certain demographic criteria, or be in an unused or underutilized industrial park, or vacant land, or structures previously used for industrial, commercial, or retail purposes but currently not so used, or Brownfield site.

Coos County Job Creation Tax Credit

During the 2008 session, the Legislature enacted a Coos County Job Creation Tax Credit against business taxes paid to the state of New Hampshire. The credit is granted to businesses for each new, full time, year-round employee hired in Coos County for which actual wages paid, including the amount paid by the employer for medical and dental benefits, equals or exceeds 150 percent of the current state minimum wage (\$6.50 through July 23, 2008, the state hourly rate between July 24, 2008 and August 31, 2008 is \$6.55 and on or after September 1, 2008 the rate increases to \$7.25). The amount of the credit is based upon the proportion that the wage for the new employee exceeds the minimum wage. If the proportion of the wage for the new employee is equal to or greater than 150% of the minimum wage but not less than 200% of the minimum wage, the amount of the credit shall be \$750. If the proportion of the wage for the new employee is equal to or greater than 200% of the minimum wage, the amount of the credit shall be \$1,000.00.

Job Training Fund

Talent development is a major component of New Hampshire's economic vitality, and businesses large and small realize the importance of a skilled and educated workforce. That's why the New Hampshire Job Training Fund was created, and we hope your company is able to take advantage of this matching grant program designed to enhance worker skills and help you stay competitive in the global marketplace.

A minimum of 50 percent cash match is required. Ineligible matching funds include salaries, wages bonuses and benefits of employees in training; in-kind contributions; administrative or entertainment expenses; and costs resulting from violations of, or failure to comply with federal, state or local laws and regulations.

Low Interest Loan Program Based on New Jobs

The State of New Hampshire offers a low interest loan program through Citizens Bank that provides financing from \$250,000 to \$10 million. The loan is based on creating new jobs in New Hampshire. For every new job created, \$40,000 can be allocated towards a loan for investments in machinery, equipment, and buildings. The interest rate is offered at 5.50%. The specified jobs must be created within three years after the funds are borrowed.

Energy Efficiency Loans

In cooperation with Ocean Bank, New Hampshire offers a low interest loan (1% below prime) for the purchase of new energy efficient equipment. The state also offers free site visits to determine a strategy for improving energy efficiency; Free industrial assessments to eligible small and medium-sized manufacturing plants; Research connections with university faculty for energy related projects; Educational venues including workshops on industrial technologies developed and taught by US DOE Best Practices professionals; and links to potential grants and rebate programs from utilities and Federal programs.

Research and Development Credit

During the 2007 session, the Legislature enacted a research and development credit against business taxes paid to the state of New Hampshire. Under the 2007 Laws of New Hampshire, Chap. 271, the Legislature has designated \$1,000,000 for each of the next five fiscal years to be available to fund the credit.

Business organizations that have expenditures made during the fiscal year for qualified manufacturing research and development. "Qualified manufacturing research and development" expenditures are wages paid to employees of the business organization for services rendered in New Hampshire which qualify and are reported as a credit by the business organization under section 41 of the Internal Revenue Code. More specifically, "qualified manufacturing research and development" expenditures are the wage amounts attributable to New Hampshire that make up lines 5, 24, or 49 of the business organization's Federal Form 6765.

State Funding Sources

For additional information on financing, please contact one of the following state or federal organizations and programs:

| | |
|---|--|
| <p>Community Development Block Grant (CDBG) 2 ½ Beacon Street Concord, NH 03301-2361 (603) 271-2155 www.state.nh.us/osp/cdbg/index.htm</p> | <p>Community Development Finance Authority (CDFA) 14 Dixon Ave, Suite 102 Concord, NH 03301 (603) 226-2170 www.nhcdfa.org</p> |
| <p>MicroCredit-NH 7 Wall Street Concord, NH 03301 (603) 224-2069 www.microcreditnh.org</p> | <p>New Hampshire Business Finance Authority 14 Dixon Avenue, 2nd Floor Concord, NH 03301 (603) 271-2391 www.nhbfa.com</p> |
| <p>New Hampshire Community Loan Fund 7 Wall Street Concord, NH 03301 (603) 224-6669 www.nhclf.org</p> | <p>New Hampshire Small Business Administration 143 North Main Street, Suite 202 Concord, NH 03301 (603) 225-1400 www.sba.gov/nh</p> |
| <p>New Hampshire Small Business Development Corporation (NHSBDC) 110 McConnell Hall Durham, NH 03824 (603)862-2200 http://www.nhsbdc.org/</p> | <p>U.S. Department of Agriculture 10 Ferry Street Concord, NH 03301-5081 (603) 223-6045 www.rurdev.usda.gov/vt</p> |

Local Funding Sources

Many local and regional revolving loan funds exist throughout New Hampshire. These funds have been capitalized from a variety of services, many with federal monies. The administration of these funds is generally handled by a non-profit corporation, while the local funds most often are overseen by governing bodies with the help of a loan committee. The loans may be used in conjunction with other sources to leverage additional monies or independently finance the project.

Certified Development Corporation Funding

Every area in the state is served by a Certified Development Corporation that provides long-term, fixed rate second mortgage loans for capital investment through the SBA 504 Loan Program:

| |
|--|
| <p>Capital Regional Development Council P.O. Box 664 Concord, NH 03302-0664 (603) 228-1872 www.crdc-nh.com</p> |
| <p>Granite State Economic Development Corporation 1 Cate Street Eldridge Park, Unit 5 P.O. Box 1491 Portsmouth, NH 03802-1491 (603) 436-0009 www.granitestatedev.com</p> |
| <p>Northern Community Investment Corporation P.O. Box 396 St. Johnsbury, VT 05819 (802) 748-5101 www.ncic.org</p> |

Business Incentives

In addition to low taxes and financial assistance, a network of programs is provided through the State of New Hampshire including:

- **Federal Contract Procurement:** The Procurement Technical Assistance Program (PTAP) is sponsored by the State of New Hampshire Business Resource Center and the Defense Logistics Agency. This national program provides specialized and professional assistance to individuals and businesses seeking to learn about contracting and subcontracting opportunities with Department of Defense (DOD), other federal agencies, or state and local governments.
- **Export/Import Assistance:** The New Hampshire International Trade Resource Center (ITRC), managed by the Office of International Commerce, plans, develops, and administers programs for international trade promotion and foreign market development for New Hampshire companies. The center also houses the U.S. Department of Commerce, the U.S. Export-Import Bank, the U.S. Small Business Administration, the NH Small Business Development Center, the U.S. Agency for International Development, and the New Hampshire International Trade Association.
- **Help with Early Stage Research:** The New Hampshire Industrial Research Center (IRC) has a matching grant program whereby New Hampshire industrial companies can apply for State subsidized technical assistance from the University of New Hampshire, Dartmouth College, and Dartmouth Medical School. Areas of technical assistance include product and process R&D, biotechnology, hardware/software development, materials characterization, process troubleshooting, pollution prevention, quality improvement, automation, equipment design, as well as manufacturing work flow and operations improvement.
- **Assistance in Starting a Small Business:** The New Hampshire Small Business Development Center offers free, one-on-one, confidential business counseling, low cost training programs, and access to information and referral. Specialized services include environmental counseling, manufacturing assistance, international trade programs, and innovative economic development initiatives.
- **Manufacturing Consulting:** The New Hampshire Manufacturing Extension Partnership (MEP) provides low cost consulting services, including lean and agile supply chain management, product development, technology transfer, and commercialization; quality management, including compliance with ISO 9000/14000 certification requirements; information technology (IT) management; plant layout, equipment specification, and health, safety, energy and environmental issues.

For more information visit the State of New Hampshire Department of Resources and Economic Development's Business Resource Center website, www.nheconomy.com

Labor Laws

Minimum Wage:

Currently- \$7.25

Overtime:

Overtime is paid to hourly employees at the rate of time and one half of the employee's regular rate of pay for all hours actually worked over forty in any one week.

Lunch Breaks:

An employer cannot require that an employee work more than five consecutive hours without granting a thirty minute lunch or eating period. If the employer cannot allow thirty minutes the employee must be paid if they are eating and working at the same time.

Right to Work:

In New Hampshire an employer can fire without giving a reason or a notice.

An employee who reports to work at the employer's request must be paid for a minimum of two hours, unless the employer can contact the employee prior to the employee arriving to work.

NH Youth Employment Certificate ("Working Papers"):

The Youth Employment Certificate is required for any youth 12 to 15 years old and must be on file at the employer's place of business within three business days of the first day of employment. Employers are required to have on file at the work place, at the time employment begins, written permission by the parent or guardian of a 16 or 17 year old permitting the youth's employment.

Workers' Compensation:

Under the New Hampshire Workers' Compensation Law, every employer who has any employees, full or part-time, is required to cover these employees with workers' compensation insurance written by a carrier. It does not matter if they are related, such as daughter, son, husband, etc. It also does not matter if the business is a "Non-Profit" organization.

Sole-proprietors, partners and self-employed persons are not required to carry workers' compensation on themselves but may elect to be covered. Sole proprietors or partners operating as Sub-Contractors, without employees, under a General Contractor may be required to carry workers' compensation coverage by the General Contractor.

If a corporation or limited liability company (LLC) has three or less executive officers or LLC members and no other employees, coverage is not mandatory but may be elected. Once there is a 4th executive officer or LLC members, workers' compensation insurance must be obtained. Once coverage is in place, all persons, including all officers or LLC members, are considered employees and would automatically be covered. Up to three executive officers or LLC members may then elect to be excluded. Professional Associations are to be treated the same as corporations and LLC.

For more information on New Hampshire Labor laws, visit the New Hampshire Department of Labor website www.labor.state.nh.us.

International Commerce

With a location ideally situated for air, land and sea transportation, New Hampshire is a leader in overseas trade, with exports reaching an all-time record high of \$3.8 billion in 2008. New Hampshire's International Trade Resource Center (ITRC) offers guidance to those seeking to export, as well as import New Hampshire products.

The New Hampshire Office of International Commerce is organized to plan, develop, and administer programs for international trade promotion and foreign market development, and to coordinate other public and private organizations involved in concurrent efforts.

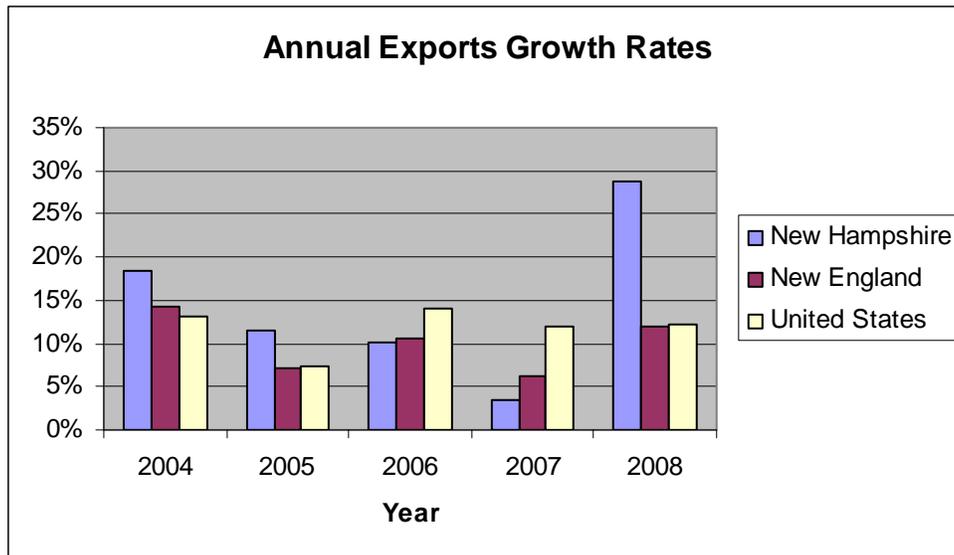
Export Statistics

New Hampshire's export shipments of merchandise in 2008 totaled \$3.8 billion, up 64% from the \$2.3 billion exported in 2004.

New Hampshire exported globally to 168 foreign destinations in 2008. The state's largest market in 2008 was NAFTA members Canada and Mexico followed by China, Germany, the United Kingdom, and Japan.

Annual Exports (in millions of dollars)

| | 2004 | 2005 | 2006 | 2007 | 2008 |
|----------------------|-----------|-----------|-----------|-------------|-------------|
| New Hampshire | \$2,293 | \$2,557 | \$2,817 | \$2,914 | \$3,752 |
| New England | \$39,828 | \$42,631 | \$47,170 | \$50,148 | \$56,192 |
| United States | \$807,516 | \$867,137 | \$989,744 | \$1,109,272 | \$1,245,004 |



Source: US Census Bureau, [Foreign Trade Statistics](#)

Export Sales

Since 1997, New Hampshire's exports have seen considerable growth over the past ten years, more than doubling in size. Spanning a range of products and services, New Hampshire exports to over 160 countries throughout the world. The following markets play major roles in New Hampshire's exporting success:

- North America
- Europe
- Eastern Europe and the Newly Independent States
- Asia/Pacific Rim
- Central and South America

In 2008, NH's export sales reached nearly \$3.8 billion, an increase of approximately 64% over 2004 exports. Between the years of 2006-2008, New Hampshire exports increased 33%.

New Hampshire Industries

New Hampshire's leading export categories in 2008 were electrical machinery, including computers (\$1.3 billion) and industrial machinery (\$1.1 billion). Together, these two product groups accounted for more than 65% of the state's total exports. Other important exports were optical and medical instrumentation (\$332 million), and plastics products (\$149 million).

A wide range of manufacturing and service industries are based in New Hampshire, producing everything from computer hardware and software, high technology industrial machinery, electronic equipment and hazardous waste management systems to specialty products such as environmentally sensitive motorbikes, footwear, and Shaker-style furniture.

The State's Global Markets

New Hampshire businesses export to over 180 countries throughout the world, spanning a range of products and services. Canada is traditionally NH's most important market, accounting for roughly 17% of 2008 total exports.

Exports to Mexico posted a large gain in 2008, growing over 300% to \$556 million, moving up to second place in a country ranking. Exports to China rose by 21% in 2008, while exports to Germany gained 15%. Exports to Japan grew by 15%.

Exporting Assistance to New Hampshire Companies

The New Hampshire International Trade Resource Centers unique alliance of state, federal, and private sector organizations all conveniently housed in one single location offers you a full spectrum of information, programs, and customized services. The Trade Center also offers an extensive international business library, the statewide hub of the International Trade Data Network, a worldwide network of Commercial Consuls, a European-based logistics center, overseas virtual offices, and more. From the development of an export strategy, to setting up trade shows, to financing the ultimate foreign sales transaction the Trade Center can help you capture your share of the huge global market. The International Trade Resource Center is the one-stop location to get you in connected with the following resources to help with your international trade needs:

- New Hampshire Office of International Commerce
- U.S. Department of Commerce
- Export-Import Bank of the United States
- Small Business Administration
- Southern New Hampshire University
- New Hampshire International Trade Association
- International Trade Data Network
- Research Library
- New Hampshire European Logistics Center
- New Hampshire House(s)
- New Hampshire Commercial Consul

For further assistance or information, visit www.exportnh.com or contact the International Resource Center at (603) 334-6074 or the Office of Business and Industrial Development at (603) 271-2591.

New Hampshire Top 25 Exports by Country, 2005-2008

(in millions of dollars)

| Rank | Country | Value 2005 | Value 2006 | Value 2007 | Value 2008 | % Change 2007/2008 |
|---------------------|-----------------------------|---------------|---------------|---------------|---------------|--------------------------|
| Total U.S. Exports | | 867,137 | 989,784 | 1,109,272 | 1,245,004 | 12.2 |
| New Hampshire Total | | 2,557 | 2,817 | 2,914 | 3,752 | 28.8 |
| 1 | Canada | 575 | 603 | 609 | 639 | 4.9 |
| 2 | Mexico | 103 | \$116 | 128 | 558 | 335.9 |
| 3 | China | 116 | 183 | 272 | 329 | 79.8 |
| 4 | Federal Republic of Germany | 151 | 213 | 227 | 262 | 15.4 |
| 5 | United Kingdom | 176 | 174 | 184 | 195 | 6.0 |
| 6 | Japan | 172 | 129 | 143 | 164 | 14.7 |
| 7 | Netherlands | 216 | 193 | 145 | 149 | 2.8 |
| 8 | Hong Kong | 72 | 97 | 102 | 105 | 2.9 |
| 9 | South Africa | 9 | 10 | 9 | 79 | 777.8 |
| 10 | Italy | 71 | 89 | 84 | 76 | -9.5 |
| 11 | Turkey | 30 | 47 | 60 | 73 | 21.7 |
| 12 | France | 74 | 60 | 78 | 71 | -9.0 |
| 13 | Switzerland | 29 | 28 | 24 | 66 | 175.0 |
| 14 | Singapore | 49 | 62 | 62 | 60 | -3.2 |
| 15 | Philippines | 6 | 6 | 6 | 60 | 900.0 |
| 16 | Thailand | 74 | 48 | 41 | 59 | 43.9 |
| 17 | Australia | 62 | 84 | 51 | 58 | 13.7 |
| 18 | Brazil | 29 | 45 | 36 | 56 | 55.6 |
| 19 | South Korea | 82 | 82 | 65 | 55 | -15.4 |
| 20 | Israel | 45 | 42 | 38 | 50 | 31.6 |
| 21 | Taiwan | 43 | 48 | 51 | 46 | -9.8 |
| 22 | Ireland | 28 | 35 | 31 | 27 | -12.9 |
| 23 | India | 16 | 20 | 25 | 27 | 8.0 |
| 24 | Malaysia | 24 | 32 | 22 | 27 | 22.7 |
| 25 | Spain | 27 | 34 | 38 | 26 | -31.6 |

Source: U.S. Census Bureau, Foreign Trade Division

Visit the US Census Bureau, Foreign Trade Division's website,
<http://www.census.gov/foreign-trade/www> for more information.