

GREATER NASHUA CHAMBER OF COMMERCE

# THE CHAMBER

## THE "BOTTOM LINE" LEGISLATIVE REPORT

A Weekly Report From the Chamber on Issues Affecting You in the State Capital

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### THE WEEK JUST PAST...

**The End Of It All??** Late Tuesday night, the joint House/Senate conference committee on HB 1 and HB 2 (the State budget and its accompanying trailer bill) reached agreement on a \$2.7 billion budget for the upcoming biennium.

Among the more significant items:

- The budget still includes a 28¢ tobacco tax increase (which still leaves New Hampshire lower than neighboring states).
- LCHIP is funded at the \$3 million Senate number for the biennium. On the final afternoon of the conference committee, it looked like the Speaker of the House might bring in an amendment to limit expenditure of LCHIP moneys only for projects involving land – not buildings. The Chamber has repeatedly advocated for the use of LCHIP money for historic preservation purposes. Fortunately, the amendment did not come in, and the LCHIP appropriation – as small as it is – may be expended for land and buildings.
- On the EZ Pass front, the sale of tokens will end on September 1<sup>st</sup>. As of July 16<sup>th</sup>, the \$5 transponder fee will go up to \$30. The Senate has not been happy at how low DOT's price for these gizmos has been set.
- A slated repeal of the exemption from the communications services tax for the first \$12 of the monthly phone bill was itself repealed late on Tuesday. The folks who pay phone bills in New Hampshire can thank Representative Fran Wendelboe of New Hampton, who located on Tuesday afternoon an error in budget calculations made by the Department of Health and Human Services, and thereby showed that the State had about \$11 million more than everyone thought would be the case. The members of the committee decided in the waning hours to devote that "new" money to the CST tax break.

HB 2 contains language expressly authorizing the Commissioner of DRA to pierce "sham transactions". The provision gives authority to the Revenue Commissioner to disallow any "sham transaction" when determining a taxpayer's tax liability. With regard to transactions between members of a "controlled group", the burden to establish the legitimacy of a transaction

in question will rest with the taxpayer, while for other taxpayers the Commissioner will bear that burden. The legislation defines both “sham transaction” and “controlled group” and expressly allows the Commissioner to apply doctrines of economic reality, substance over form, and step transaction when administering any tax.

- The amendment came forward with little fanfare and no opportunity for public input. The Chamber has concerns over this, and we will watch it carefully.
- Last but certainly not least, the committee took HB 691, the Medicaid reform bill which is awaiting action by the Governor, and slapped identical language onto HB 2. The Governor has made no secret of his distaste for HB 691, and many observers thought it was destined for veto. Republicans on the conference committee figured that the Governor is far less likely to veto HB 2 (especially because a veto would throw the State budget out of balance).

So what’s next? The House and Senate vote next week. The HB 691 move, combined with the other actions of the conference committee, left a lot of Democrats more than a little upset. Look for a very close vote in the House, with the balance of power resting with conservative budget hawks who may forge an unlikely alliance with Democrats. But the conservative House Republican alliance supported HB 691. So our guess is that HB 1 and HB 2 will prevail in close votes on Wednesday.

Please contact Teresa Rosenberger, Devine, Millimet - (603) 410-1705, or Chris Hodgdon, Greater Nashua Chamber of Commerce - (603) 881-8333, if you have any questions.