



## GREATER MANCHESTER CHAMBER OF COMMERCE

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*House Ways & Means Hears Presentation Encouraging Income Tax and Increased Corporate Reporting*

Although legislators from both parties have, for the most part, agreed that neither a sales nor income tax should be instituted as a funding mechanism for education and other government services, the House Ways & Means Committee heard a presentation this week that portrayed the personal income tax with a strong, sustainable rainy day fund as the "gold standard" for fairness. Matthew Gardner, of the Institute on Taxation and Economic Policy, set forth a set of principles for a 21st century tax system and then described the income tax, sales tax and property tax in the context of those principles. The principles he outlined were fairness, base-broadening, adequacy, simplicity, impact on economic development, neutrality, and exportability. He called New Hampshire the 13th most regressive state in the country with respect to vertical fairness and overall tax burden since we rely so heavily on the property tax, and he encouraged consideration of a personal income tax in the state. Mr. Gardner also briefly discussed state corporate taxes, stating that corporate taxes are declining as a share of gross state product due to increased use of tax loopholes and an increased number of business owners filing as individuals rather than corporations. Mr. Gardner told committee members that increased corporate disclosure is one way to counter this decline since it allows states to figure out the extent to which corporations are avoiding tax liability and how they are doing so. He proposed mandatory disclosure of corporate tax payments and tax breaks to improve transparency, tax incidence analysis to provide a reminder of the lack of fairness in the system, and tax expenditure reports to track where revenues are being spent. Mr. Gardner's presentation was part of ongoing orientation activities in the Legislature, not testimony on a particular bill. Nonetheless, business leaders should be prepared for proposals to increase corporate financial reporting and, perhaps, to establish a state income tax.

One tax that is being discussed as a potential source for increased state revenues is the cigarette tax. Interestingly, while this may be the most politically popular revenue source, Mr. Gardner discouraged the committee from increasing the state's reliance on it. He said the cigarette tax base in New Hampshire is shrinking, that any increase in this tax will further suppress the base, and, therefore, it is a bad choice from both sustainability and adequacy perspectives.

*The Cost of Doing Business in New Hampshire is Likely to Rise After 2007 Legislative*

## Session

A number of proposals have been introduced this year that will increase the cost of doing business for most companies in New Hampshire. Many of these proposals are "repeats" from recent years. This year, however, with the change in composition of the House and Senate, the bills have a much higher likelihood of passing. Business leaders must participate in the process this year, and must be willing to compromise on some issues rather than simply trying to kill every proposal that will add cost. Here are some of the highlights:

- Minimum wage - The minimum wage will likely be increased, although the amount of the increase and how tipped employees will be treated is unknown.
- Minimum pay for employees called in to work - The minimum pay for employees called in to work may increase from two hours of pay to four hours of pay. Debate will focus on statutory exemptions from the law for certain employment categories and the mechanism for voluntary opt-outs.
- Health insurance - Proposals have been submitted to mandate insurance coverage for bariatric surgery for diabetics and prostate cancer testing. Proposals have also been submitted regarding health insurance riders and requiring interpretation services for persons receiving medical treatment.
- Overtime and wage and hour issues - Proposals have been submitted to establish a minimum time period between work shifts, to regulate mandatory overtime, and to establish protections for temporary workers.
- Holiday work - A proposal has been submitted relative to work on Thanksgiving and Christmas.
- Youth employment - A bill has been introduced to amend the youth employment law to prohibit sixteen and seventeen year olds from working later than 9 PM on any night before a school day.
- Workers' compensation - Several proposals have been submitted seeking to amend the workers' compensation laws.
- Unemployment compensation - A proposal has been submitted relative to unemployment benefits for persons needed to care for family members who are disabled.

So far, bill text is available for only about 100 of the nearly 1300 proposals expected this year, so specifics about most of the proposals outlined above are not yet available. It is clear, even without specifics, that businesses will face additional hurdles, and costs, in the coming years. We will keep you informed so you can reach out to legislators and help them maintain an appropriate balance between the interests of consumers and the interests of the businesses that keep our economy healthy.

## CHAMBER INSIGHT:

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With the legislative session well underway business organizations across New Hampshire are busy reviewing legislation and formulating policy positions for 2007. While it is important for every organization to formulate their own unique strategic goals, there is often an opportunity for unity and collaboration among business organizations.

Such an opportunity came up this week for the Greater Manchester Chamber of Commerce as we attended a joint meeting of the GMCC, Greater Nashua Chamber of Commerce, Greater Concord Chamber of Commerce, Greater Portsmouth Chamber of Commerce, and the Business and Industry Association. Representatives from each organization included staff members, volunteer advocacy chairmen, and chamber

executives.

The agenda for the event called for each organization discussing their policy goals for 2007 and their strategies for pursuing these goals. Each organization also discussed particular legislative issues they viewed as “red flags” or issues of concern that needed to be closely monitored. After discussing individual goals, the group set out to accomplish a seemingly much more complex task of identifying issues of mutual concern and possible collaboration. This process, however, proved to be relatively easy. Seven mutually agreed upon areas of focus were settled on:

- The restoration of commuter rail to NH.
- Extending the length of the State Community Reinvestment Opportunity Program, also known as “CROP Zones.”
- Implementing a research and development tax credit.
- Monitoring energy related legislation.
- The affordability of healthcare.
- The improvement of infrastructure/transportation issues.
- Addressing the housing needs of our workforce.

Each organization agreed to keep these areas of focus in mind as the session progresses. As legislation emerges dealing with these issues in the coming weeks the GMCC will establish their own positions and advocacy strategies. However, this recent meeting will allow the Chamber to easily communicate our position to other organizations and unify our message if the issue warrants it.

Overall, it was evident that despite differences in geography, membership, or mission, business organizations share many of the same strategic goals. The Chamber looks forward to updating you on the outcomes this collaborative relationship produces in the coming months.

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NH State Legislature [www.state.nh.us](http://www.state.nh.us)

The Union Leader [www.theunionleader.com/primaryindex.html](http://www.theunionleader.com/primaryindex.html)

NH Primary Info [www.nhprimary.com](http://www.nhprimary.com)

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