



CITY OF PORTSMOUTH

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Jack Blalock
Mayor

January 18, 2018

Chairman Norman Major
House Ways and Means Committee
107 North Main Street
Concord, NH 03301

Re: City of Portsmouth's Written Testimony in support of HB 1491

Dear Chairman Major and Members of the House Ways and Means Committee:

The City of Portsmouth is a tourist destination that significantly supports the State's hospitality industry as one of their highest contributors to the Meals and Rooms Tax revenue. In 2015, the Department of Revenue Administration estimated that Portsmouth contributed the second highest Meals and Rooms Tax revenue in the State; owners filing consolidated returns in Portsmouth contributed approximately \$27,000,000 to Meals and Rooms Tax revenue, approximately 9% of the State's total tax revenue. In Fiscal Year (FY) 2017, the State collected \$312,952,341 in Meals and Rooms Tax. Of that, \$68,805,057 was distributed to New Hampshire communities. Because the distribution of Meals and Rooms Tax net revenue is based on population versus contribution, Portsmouth received \$1,109,504 in FY18, only 1.61% of the net revenue distributed to municipalities by the State.

There has been a steady increase in Meals and Rooms Tax revenue generated in the State since 2009; the tax revenue has increased by approximately \$100,000,000 from 2009 to 2018. Yet despite this increase, there has been a steady decrease in the Meals and Rooms Tax net revenue distributed to New Hampshire communities. The State has increased its percentage of the distribution of Meals and Rooms Tax Revenue from 71.59% in FY09 to 78.99% in FY18. The distribution to the communities has decreased correspondingly from 28.41% in FY09 to 21.01% in FY18. This decrease in distribution to New Hampshire communities is almost half of the 40% distribution set forth in RSA 78-A:26 and the state has not elected to apply the catch-up formula to raise the distribution to communities to the statutorily prescribed level 40% in 7 out of the last 9 fiscal years.

This steady reduction in receipt of Meals and Rooms Tax net revenue puts a financial burden on all local communities. This reduction is particularly problematic given the State's downshifting of costs on to local communities (shared revenues, State Aid Grants and retirement contributions) during this same time period which burdens local taxpayers and local municipal budgets.

There is a positive economic impact for the entire State in providing proper infrastructure and support for the local tourism industry. HB 1491 would not negatively impact the net revenue distribution

currently received by communities but would fairly give those communities who heavily support the tourist industry additional, necessary monies to sustain the services and infrastructure that enrich tourism and the overall economy if sufficient Meals and Rooms Tax revenue is raised. In the City of Portsmouth, a fairer share of the dollars generated by Portsmouth could be applied to the additional public safety expenditures required as well as infrastructure improvements, e.g., additional parking supply, improved roads/sidewalks, and public amenities for visitors such as restrooms, signage.

The City also supports the suspension of consolidated filing. The exact contribution by the City of Portsmouth and the percentage of its distribution has been complicated to calculate because consolidated filings have made it difficult to accurately determine which town or city the Meals and Rooms Taxes were collected from. As a result, the Department of Revenue Administration is unable to accurately calculate the amount of tax revenue collected by each city or town.

The Portsmouth City Council has adopted a legislative policy whereby the City will support legislation that supports revenue streams to aid municipalities, specifically those that name Portsmouth or will directly support Portsmouth. HB 1491 supports this legislative principle. For the reasons above, the City of Portsmouth urges this Committee to vote Ought to Pass on HB 1491.

Thank you for your consideration.

Sincerely,

A handwritten signature in black ink, appearing to read "Jack Blalock". The signature is fluid and cursive, written over a light blue horizontal line.

Jack Blalock, Mayor of the City of Portsmouth
On Behalf of the Portsmouth City Council

cc: Legislative Subcommittee
John P. Bohenko, City Manager