

January 2010

Greetings,

The second year of the legislative session is underway in Concord, and before it gets much further along I wanted to recap some of the activity and accomplishments from 2009. Last term, the Legislature heard over 1000 bills and completed the challenging task of crafting the State budget. (New Hampshire operates under a two-year budget that is written in the first year of the session). In addition to grappling with the budget, the Legislature also:

- Fully funded education, including disparity aid
- Passed education accountability legislation – the last step laid out by the NH Supreme Court as necessary to resolve years of education lawsuits
- Put federal stimulus dollars to work on improving our infrastructure and creating good jobs
- Secured an additional \$21 million for unemployment benefits from the federal government
- Provided protection for working families by passing a bill that requires employers to give advance notice to employees of plant closings and mass layoffs
- Took further steps to secure the state retirement fund
- Passed marriage equality legislation

I am certain there will be a full plate of bills debated in Concord in 2010, and I will continue to share information as the session progresses. I expect the Legislature will be paying particular attention to job creation, the budget situation (making any adjustments that may be necessary based on revenue receipts), and addressing the continuing need to provide services to support those experiencing difficulties. Bottom line: there remains an increasing need for services in this challenging economic climate.

Electricity Assistance

One of the first acts of the Legislature in 2010 was to boost funding for the State's Electric Assistance Program. By redirecting a portion of the funds (\$5 million) currently directed to energy efficiency, we addressed the need of the approximately 8000 families on the waitlist. The change does not affect what anyone pays for electricity, but it was urgent to help people in need. According to PSNH, during a typical winter's week 1,760 households are given notice that their electricity would be shut off and 31 are actually disconnected.

School building aid

A committee examined this issue during the past several months and issued an interim report in which it found the current situation unsustainable. State grants to communities renovating or building new schools have grown by 150 percent in the last decade, from \$18.5 million in 1999 to \$46.2 million in the latest budget. (In total, the State is obligated

to pay just over \$600 million for previously approved projects with an additional cost of \$200 million for debt service.) The committee asked the Legislature to consider temporarily suspending building aid for new projects approved after June 30, 2010 so that (1) sustainable alternatives could be discussed, and (2) pending projects could still get local approval before any suspension went into effect. Again, the committee did not propose changing current grant allocations - recognizing that communities were counting on the State's contributions when building projects were approved.

### Limited liability companies

A limited liability company ("LLC") is a common form of business organization that was established, in part, to facilitate the creation of small businesses without burdensome paperwork requirements associated with the formation of a corporation. Among the differences between LLCs and corporations is how they are taxed. In New Hampshire, for example, dividends paid by a corporation to its shareholders are taxed while distributions to holders of LLC interests have not been subject to taxation (specifically, the interest and dividends – or "I&D" – tax). Last year, the Legislature changed the tax code in order to treat distributions made by either business entity the same; in other words, it extended the I&D tax to cover the profits distributed to LLC interest holders. (Salaries paid to employees or owners of LLCs are not "profits distributed to LLC interest holders" for purposes of the I&D tax; only amounts distributed over and above "reasonable compensation" would be subject to the tax.)

The topic has received much attention recently, and I understand there is still some confusion surrounding it. However, as the chair-elect of the BIA (New Hampshire's Business and Industry Association) has written: "the majority of New Hampshire LLCs, as well as the majority of New Hampshire corporations, are small businesses that do not make distributions to owners in the nature of taxable dividends, so those businesses simply will not be affected by the tax." That being said, several bills have been filed in the Legislature this year that would amend or clarify the law.

Please do not hesitate to contact me about these issues – or any other legislative matter – as the session progresses.

Regards,  
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