



PRESS RELEASE

For Immediate Distribution

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NH Department of Revenue Outlines the Taxability of COVID-19 Financial Relief

Information for taxpayers to assist with tax filing

Concord, NH – The New Hampshire Department of Revenue Administration ([NHDRA](#)) is helping taxpayers understand the taxability of relief distributed to New Hampshire Business Profits Tax (BPT) and Business Enterprise Tax (BET) taxpayers as a result of the COVID-19 pandemic.

“More than 20 federal and state financial relief programs have helped businesses to continue operating under unprecedented circumstances,” said NHDRA Commissioner Lindsey Stepp. “This continues to be a challenging time and we are committed to supporting our taxpayers as they navigate how these funds will be taxed and how to anticipate future financial obligations.”

State-level programs for New Hampshire taxpayers

All state-level relief distributed to taxpayers required to file a BPT return – from the State of New Hampshire’s portion of the federal CARES Act funds – should be included as income for BPT purposes. However, any state-level relief taking the form of a loan should not be included as income for BPT purposes, unless that loan is forgiven or otherwise discharged. Taxpayers may continue to take deductions for deductible expenses of operating their business, even when those expenses are paid for with state-level relief. Therefore, only the portion of these funds that are not spent on deductible business expenses will ultimately be subject to taxation. Expenses that are generally not deductible include distributions made to owners or shareholders, the payment of personal expenses of owners, or certain disallowed entertainment and meal expenses.

Additionally, any state-level relief received by taxpayers required to file a BET return that is utilized to pay wages or other compensation to employees, interest, or dividends shall be included in the enterprise value tax base of the business and subject to the BET.

A list of all state-level programs can be found on the GOFERR (State of New Hampshire Governor’s Office for Emergency Relief and Recovery) website: www.goferr.nh.gov/covid-expenditures.

Federal-level programs for New Hampshire taxpayers

Generally, all federal-level COVID-19 relief distributed to taxpayers required to file a BPT return should be included as income for BPT purposes. However, any federal-level relief taking the form of a loan should not be included as income for BPT purposes, unless that loan is forgiven or otherwise discharged. Similar to the treatment of state-level relief, taxpayers are permitted a deduction for the expenses of operating a business, even if paid for with federal-level relief.

In some instances, the federal tax treatment of federal-level relief will be different from the state-level tax treatment of those same funds. For example, federal Paycheck Protection Program (PPP) loans that are ultimately forgiven in accordance with the terms of that program may not be taxable federally but should be included as income for BPT purposes. Similarly, expenses paid with PPP funds are generally not deductible on the federal return if the PPP funds were excluded from income for federal purposes. However, deductible business expenses paid with PPP funds are deductible for BPT purposes. This is because New Hampshire's BPT statute references a version of the Internal Revenue Code (IRC) in existence prior to the CARES Act (specifically the IRC in effect on December 31, 2018 for taxable periods beginning on or after January 1, 2020) and therefore does not recognize the federal tax treatment of forgiven PPP loans. In instances where the federal tax treatment of a state or federal COVID-19 relief program differs from the state tax treatment, taxpayers will be required to appropriately adjust their income utilizing form Schedule IV of the BPT return.

Additionally, any federal-level relief received by taxpayers required to file a BET return that is utilized to pay wages or other compensation to employees, interest, or dividends shall be included in the enterprise value tax base of the business and subject to the BET.

Information about federal COVID-19 tax relief for businesses, including information regarding the federal taxability of federal- and state-level COVID-19 benefits, is available through the IRS: <http://www.irs.gov/coronavirus/coronavirus-tax-relief-for-businesses-and-tax-exempt-entities>

About the New Hampshire Department of Revenue Administration

The New Hampshire Department of Revenue Administration (NHDR) is responsible for fairly and efficiently administering the tax laws of the State of New Hampshire. NHDR collects approximately 80% of New Hampshire's general taxes. During Fiscal Year 2019, NHDR collected \$2.15 billion in taxes, most of which went to the New Hampshire General Fund and Education Trust Fund. NHDR also provides assistance to municipalities in budgeting, finance and real estate appraisal.

NHDR administers and collects the following taxes at the state level: Business Enterprise Tax, Business Profits Tax, Communications Services Tax, Interest and Dividends Tax, Meals and Rooms Tax, Medicaid Enhancement Tax, Nursing Facility Quality Assessment, Tobacco Tax, Taxation of Railroads, Utility Property Tax, Real Estate Transfer Tax; and the following taxes at the local level: Property Tax, Excavation Tax, Timber Tax. To learn more about NHDR, please visit www.revenue.nh.gov.

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Media Contact:

Grace McInnis, Montagne Communications

603.644.3200 x18

grace@montagnecom.com