

**New Hampshire Department of Revenue Administration  
109 Pleasant Street, Concord, NH 03301**

**TECHNICAL INFORMATION RELEASE  
TIR 2019-001 Date: January 4, 2019**

A Technical Information Release is designed to provide immediate information regarding tax laws administered by the Department or the policy positions of the Department as a service to taxpayers and practitioners. A Technical Information Release represents the position of the Department on the limited issues discussed herein based on current law and Department interpretation. For the current status of any tax law, practitioners and taxpayers should consult the source documents (i.e., Revised Statutes Annotated, Rules, Case Law, Session Laws, etc.). Questions should be directed to Taxpayer Services at (603) 230-5920.

**EDUCATION TAX CREDIT PROGRAM UPDATE**

The purpose of this Technical Information Release is to provide information regarding changes to the education tax credit (“ETC”) program, RSA 77-G, as provided in Chapters 341 and 357, Laws of 2018.

**ETC Program Expanded to Interest and Dividends Tax**

Chapter 341, Laws of 2018 expands the use of the ETC program to allow individuals (including “any entity having taxable interest and dividend income as described in RSA 77:3”) to use an ETC against the Interest and Dividends Tax, if granted by the NH Department of Revenue Administration (DRA). The ETC may be used against the Business Profits Tax, the Business Enterprise Tax, the Interest and Dividends Tax, or apportioned between them, but only if the total credit used does not exceed the maximum credit granted. Individuals are required to apply to the ETC program in the same manner as business organizations and business enterprises, as described below.

**ETC Changes to Program Year**

Chapter 357, Laws of 2018 makes various changes to the administration of the ETC program, particularly changes to the program year and application procedures. Effective July 1, 2018, the ETC program year changed from a calendar year to a fiscal year beginning July 1 and ending June 30. To accommodate the transition from a calendar program year to a fiscal program year, the 2018 program year was shortened from January 1, 2018 to June 30, 2018. The current 2019 program year began on July 1, 2018 and ends on June 30, 2019.

An organization may apply to the DRA to be approved as a scholarship organization by filing Form ED-01, “Scholarship Organization Application,” no later than June 15 each year. However, if an approved scholarship organization wants to seek approval for the next program year, the approved scholarship organization must file the application with its Form ED-05, “Scholarship Organization Report,” within 30 day following the end of each program year. This is an annual approval process.

Each program year, but no later than May 31, a business organization, business enterprise, or individual may apply to the DRA to be approved to make a money donation to an approved scholarship organization for a tax credit by filing Form ED-02, “Education Tax Credit Application.” Applications received after May 31 shall be processed for the following program year. Within 60

days of being approved by the DRA to make a donation, but no later than June 30<sup>th</sup>, the business organization, business enterprise, or individual must make the donation to the approved scholarship organization.

Scholarship organizations shall complete and file Form ED-03, "Education Tax Credit Scholarship Receipt", with the department, and send a copy to the donating business organization, business enterprise, or individual, within 15 days of receiving the donation to acknowledge the contribution made by the business organization, business enterprise, or individual. The scholarship receipt shall be attached to the business organization's, business enterprise's, or individual's New Hampshire Business Tax and/or Interest and Dividends Tax Return(s).

The scholarship organization is required to file Form ED-05, "Scholarship Organization Report," with the DRA within 30 days following the end of the program year. The shortened 2018 program year must be reported together with the 2019 program year on the scholarship organization's 2018 and 2019 Form ED-05.

### **ETC Allowed to Be Carried Forward for 5 Years**

Chapter 357, Laws of 2018 also allow a business organization or business enterprise to carry forward any unused portion of the ETC amount granted by the DRA for no more than five (5) succeeding years, but not more than \$1,000,000 in any given tax year. The carryforward provision applies only to the Business Profits Tax and Business Enterprise Tax. The credit allowed against the Interest and Dividends Tax cannot be carried forward. Furthermore, if the entire amount of the tax credit is utilized against the Business Enterprise Tax, those same credits cannot be used to then offset the Business Profits Tax. This credit is not considered taxes paid under RSA 77-E, the Business Enterprise Tax.

### **Average Allowable Scholarship**

RSA 77-G:2, I(b) requires the Department to annually adjust the average allowable value of the ETC scholarships to reflect the average change in the Consumer Price Index for All Urban Consumers, Northeast Region, using the "services less medical care services" special aggregate index, as published by the Bureau of Labor Statistics, United States Department of Labor. The average change is calculated using the calendar year ending 12 months prior to the beginning of the program year. The allowable average value of scholarships for the 2019 program year ending June 30, 2019 is the same as the 2018 program year. It shall not exceed \$2,762.

Please visit our website at <https://www.revenue.nh.gov/quick-links/education-tax-credit.htm> to view the relevant statute, rules and forms. Questions regarding the ETC program should be directed to Melissa Rollins at (603) 230-5012 or email at: [Melissa.Rollins@dra.nh.gov](mailto:Melissa.Rollins@dra.nh.gov).

*Individuals who need auxiliary aids for effective communication in programs and services of the Department of Revenue Administration are invited to make their needs and preferences known to the N.H. Department of Revenue Administration, 109 Pleasant Street, Concord, NH 03301 or by contacting them at (603) 230-5920.*