

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **SB 31** SLS 21RS 116

Bill Text Version: **ENGROSSED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: April 27, 2021	9:50 AM	Author: CATHEY
Dept./Agy.: Economic Development / Revenue		Analyst: Greg Albrecht
Subject: Individual Income Tax Exemption for Digital Nomads		

TAX EXEMPTIONS

EG SEE FISC NOTE GF RV See Note

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Provides an exemption from state individual income tax for digital nomads. (gov sig)

Provides an exemption from individual income tax for up to \$150,000 of the gross wages of defined digital nomad persons. The exemption applies for two of the four taxable years of 2022, 2023, 2024, and 2025. Participants must establish residency after December 31, 2021, work remotely for a nonresident business, and maintain domicile in the state for one year following the last year of exemption claimed. The Dept. of Revenue shall limit the number of participating individuals to 1,000 for the life of the program. There shall be no exemption for wages earned after December 31, 2025.

Effective upon governor's signature.

EXPENDITURES	2021-22	2022-23	2023-24	2024-25	2025-26	5 -YEAR TOTAL
State Gen. Fd.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Annual Total						

REVENUES	2021-22	2022-23	2023-24	2024-25	2025-26	5 -YEAR TOTAL
State Gen. Fd.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Annual Total						

EXPENDITURE EXPLANATION

The Department of Revenue indicates that the costs to modify and test tax systems to incorporate the additional adjustment to income provided by the bill would be approximately \$26,000 of staff time. Levels of applications might not be very high initially, until the program/exemption becomes generally known to be available, thus some program administrative costs are likely to implement the program participation cap, but ultimately depend upon the level of program participation.

REVENUE EXPLANATION

The number of individuals and the amount of income that might participate in the program is speculative, and a reasonable estimate of income tax foregone can not be determined. Given the normal job creation and destruction of the labor market, it is possible that some individuals qualifying for the bill's tax exemption would locate in the state regardless of the tax exemption. However, the bill contains a number of provisions for qualification that would seem to minimize an existing baseline of employment growth obtaining the bill's benefits (required major medical insurance, not domiciled and filing tax returns in the state for three prior years, maintenance of domicile for a year after exemption period etc.). The bill's requirements that minimize baseline revenue losses would also seem to work to hold down participation in the program in general, minimizing foregone revenue from individuals induced to locate in the state by the bill. While the bill authorizes up to 1,000 participants for the life of the program, the number actually participating may be materially lower than that, with only small consequent state fiscal impacts. In addition, as structured, participants that are induced by the program, and do maintain domicile in the state after their exemption period, would presumably generate state income tax receipts in those subsequent periods.

Senate

Dual Referral Rules

House

13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}

6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}

13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}

6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

Christopher A. Keaton
Legislative Fiscal Officer