

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **SB 157** SLS 21RS 143

Bill Text Version: **REENGROSSED**

Opp. Chamb. Action: **w/ HSE COMM AMD**

Proposed Amd.:

Sub. Bill For.:

| | | |
|---|----------|-------------------------------|
| Date: May 12, 2021 | 11:53 AM | Author: ALLAIN |
| Dept./Agy.: Revenue | | Analyst: Greg Albrecht |
| Subject: Income Tax Exemption For Certain Mobile Workers | | |

TAX EXEMPTIONS

RE1 SEE FISC NOTE GF RV See Note

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Exempts certain mobile workers from individual income tax and their employers from withholding tax. (gov sig)

Current law subjects nonresident employees to state income tax on the income earned or derived from activity in the state, and requires their employers to deduct and remit withholdings of this tax liability.

Proposed law exempts nonresident employees from a state income tax liability if they perform employment duties in the state for 25 or fewer days, and exempts their employers from the withholding requirement for those same employees. If the employee works in-state for more than 25 days in a year, they are subject to state taxation on all days of earnings in the state, including the first 25 days.

Proposed law does not provide this exemption to professional athletes, staff members of professional athletic teams, professional entertainers, public figures, or qualified motion picture production employees.

Effective upon governor's signature.

| EXPENDITURES | 2021-22 | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 5 -YEAR TOTAL |
|---------------------|----------------|----------------|----------------|----------------|----------------|----------------------|
| State Gen. Fd. | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 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 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |

| 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

There is no anticipated direct material effect on governmental expenditures as a result of this measure.

REVENUE EXPLANATION

The bill relieves from state individual income tax liability nonresident employees that earn income in the state for 25 or fewer days a year, as well as the liability of their employers to withhold and remit tax payments. While this can only work to reduce tax liabilities to the state, the bill appears to target nonresident employees less likely to be filing annual income tax returns with payments to the state (as well as withholding payments). Short duration nonresident employees that are likely to be filing tax returns with the state (as well as withholding payments) are not provided the bill's exemption (professional athletes, staff members of professional athletic teams, professional entertainers, public figures, or qualified motion picture production employees). These types of employees have worked under long-standing routines of having their income earned in various states and be allocated to the states' where earned. Thus, the bill seems likely to have only a minor effect on annual collections.

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