LEGISLATIVE FISCAL OFFICE
Fiscal Note

Louisiana Legislative Fiscal Office Fiscal Notes

Fiscal Note On: **HB 639** HLS 17RS 1199
Bill Text Version: **REENGROSSED**
Opp. Chamb. Action: **w/ SEN COMM AMD**
Proposed Amd.:
Sub. Bill For.:

Date: June 2, 2017 1:14 PM
Author: SCHEXNAYDER
Dept./Agy.: Revenue
Subject: Income Tax Exclusion for Certain Non-Residents
Analyst: Greg Albrecht

TAX CREDITS RE1 DECREASE GF RV See Note

Excludes compensation earned by certain out-of-state employees and nonresident businesses for disaster or emergency-related work performed during disaster periods from state income tax

Proposed law provides an exclusion from the gross income of an out-of-state business or individual for the income earned for disaster or emergency related services provided in the state. Declared disasters are defined and the disaster period ranges from 10-days before the declaration to 60-days after the end of the disaster. Nonresident businesses are to be registered with the Dept. of Revenue by the instate business that requests the nonresident business to perform disaster or emergency-related work in the state.

Applicable to tax periods beginning on and after January 1, 2018.

EXPENDITURES	**2017-18**	**2018-19**	**2019-20**	**2020-21**	**2021-22**	**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	$0	$0	$0	$0	$0	**$0**
Annual Total	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**

REVENUES	**2017-18**	**2018-19**	**2019-20**	**2020-21**	**2021-22**	**5 -YEAR TOTAL**
State Gen. Fd.	$0	DECREASE	DECREASE	DECREASE	DECREASE	**$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	$0	$0	$0	$0	$0	**$0**
Annual Total	**$0**					**$0**

EXPENDITURE EXPLANATION

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

REVENUE EXPLANATION

The bill provides an exclusion from gross income to nonresident individuals and businesses for the income they earn while working in the state in response to disasters and emergencies. This income is currently subject to La taxation. To the extent these individuals and businesses comply with current law and pay those tax liabilities, they may receive a credit against their tax liability in their home state.

With respect to individuals working on their own and possibly small businesses, it is unlikely that significant compliance with current law has been occurring. Thus, eliminating tax liability with this bill's exclusion doesn't likely result in a material loss of tax revenue.

With respect to individuals being employed by larger firms, the bill would excuse their employers from withholding income taxes from their earnings in the state, and some state revenue loss seems likely. These individuals have to file a nonresident tax return to receive any refund of tax that may be owed to them. If they are not ultimately filing a return, the state retains the withholdings. This bill will allow the employing firm to forego withholdings, thus, reducing state tax receipts to the extent the extent affected employees are not ultimately filing state tax returns. Larger nonresident businesses are also more likely to be compliant with state tax filing requirements, and this bill effectively reduces their LA net income, and consequently state tax liabilities and receipts.

The extent of potential state tax loss can not be reasonably estimated. In addition, material disasters do not occur with consistent or even necessarily annual frequency. Thus, it can not be assured that revenue losses will occur in any particular years. With the bill's initial effectiveness for tax year 2018, the earliest any potential revenue loss can be realized in FY19.

For information purposes, NCSL confirmed that many states have similar exclusion statutes for responders temporarily in their states during disaster situations.

Senate — Dual Referral Rules

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

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

House

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

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

John D. Carpenter

John D. Carpenter
Legislative Fiscal Officer