

**LEGISLATIVE FISCAL OFFICE**  
**Fiscal Note**



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

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

<b>Date:</b> April 17, 2021	12:53 PM	<b>Author:</b> CATHEY
<b>Dept./Agy.:</b> Economic Development / Revenue		<b>Analyst:</b> Greg Albrecht
<b>Subject:</b> Individual Income Tax Exemption for Digital Nomads		

TAX EXEMPTIONS

OR SEE FISC NOTE GF RV

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

Provides an exemption from individual income tax for the gross wages of defined digital nomad persons. The exemption is for up to two taxable years, between January 1, 2022 through December 31, 2025. Participants must maintain domicile in the state for one year following establishment of domicile for eligibility for the exemption. The Department of Economic Development, in consultation with the Dept of Revenue, shall certify participating digital nomads and shall limit the number of participating individuals to 1,000 per year.

Effective upon governor's signature.

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

  

<b>REVENUES</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>	<b>2024-25</b>	<b>2025-26</b>	<b>5 -YEAR TOTAL</b>
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Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b><u>\$0</u></b>
<b>Annual Total</b>						

**EXPENDITURE EXPLANATION**

While the bill appears to contemplate a three year pilot program, this is a new program in the Dept of Economic Development, that could have 1,000 participating individuals per year, and considerably more than that number applying for the program. The Dept would need to develop a tracking system for program applicants and their supporting documentation, as well as allow for interoperability with systems in the Dept of Revenue and Workforce Commission to verify various aspects of applications. The Dept indicates the need for an additional position and technical support, with costs of roughly \$80,000 per year in wages & benefits, plus one-time system set-up costs that might be another \$80,000.

Levels of applications might not be very high initially, until the program/exemption becomes generally known to be available, but some system would need to be established to handle even a small number of applications. Thus, some program administrative costs are likely, 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 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). 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 a year, 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**