

2021 Regular Session

SENATE BILL NO. 31

BY SENATOR CATHEY

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

1 AN ACT

2 To enact R.S. 47:293(9)(a)(xx) and 297.16, relative to individual income tax exemptions;  
3 to provide for an individual income tax exemption for digital nomads; to provide for  
4 definitions; to provide for eligibility requirements; to authorize the Department of  
5 Revenue; to promulgate rules; to provide for record keeping requirements; to provide  
6 for recovery of the tax exemption by the Department of Revenue; to provide for  
7 effectiveness; and to provide for related matters.

8 Be it enacted by the Legislature of Louisiana:

9 Section 1. R.S. 47:293(9)(a)(xx) and 297.16 are hereby enacted to read as follows:

10 §293. Definitions

11 The following definitions shall apply throughout this Part, unless the context  
12 requires otherwise:

13 \* \* \*

14 (9)(a) "Tax table income", for resident individuals, means adjusted gross  
15 income plus interest on obligations of a state or political subdivision thereof, other  
16 than Louisiana and its municipalities, title to which obligations vested with the  
17 resident individual on or subsequent to January 1, 1980, and less:

\* \* \*

(xx) The digital nomad exemption as provided for in R.S. 47:297.16.

\* \* \*

§297.16. Tax exemption; digital nomads; requirements; limitations

A. It is the intent of the Louisiana Legislature that the digital nomad tax exemption provided for in this Section be used primarily as an inducement for individuals to locate in Louisiana who will make significant contributions to the development of the economy of the state of Louisiana.

B.(1) There shall be an exemption from individual income taxes imposed by this Chapter not to exceed the lesser of one hundred-fifty thousand dollars or the gross wages of each taxpayer who qualifies as a digital nomad.

(2) The exemption shall apply for a period of up to two taxable years during taxable years 2022, 2023, 2024, and 2025.

(3) The exemption shall apply only to gross wages received from the services performed as a digital nomad.

(4) The taxpayer claiming the digital nomad exemption shall maintain domicile in this state for one calendar year following the last year the exemption is claimed.

(5) For purposes of this Section, the term "digital nomad" shall mean an individual who:

(a) Establishes residency in Louisiana after December 31, 2021.

(b) Is considered a covered person with major medical health insurance.

(c) Is self-employed or works remotely full-time for a nonresident business.

(d) Is required to file a Louisiana resident or part-year resident individual income tax return for the taxable year in which the exemption is claimed.

(e) Has not been domiciled in Louisiana for any of the prior three years.

(f) Has not been required to file a Louisiana resident or part-year

1 resident individual income tax return for any of the prior three years.

2 (g) Performs the majority of employment duties in this state either  
3 remotely or at a coworking space.

4 C. For the purposes of this Section:

5 (1) "Covered person" means a policyholder, subscriber, enrollee, or  
6 other individual enrolled in or insured by a health insurance issuer for major  
7 medical health insurance coverage.

8 (2) "Major medical health insurance coverage" means any hospital,  
9 health, or medical expense insurance policy, hospital or medical service  
10 contract, health and accident insurance policy, or any other contract of this type  
11 providing comprehensive major medical benefits, including a group insurance  
12 plan, or any policy of family group, blanket, or association health and accident  
13 insurance, a self-insurance plan, an employee welfare benefit plan, or a health  
14 maintenance organization subscriber agreement. The term "major medical  
15 health insurance" does not include publicly funded programs, including federal  
16 governmental benefit plans, that are wholly or partially funded by this state.

17 (3) "Nonresident business" means a business entity that is not registered  
18 to do business in this state, has no agents, independent contractors, or  
19 employees other than digital nomads in this state, is not transacting business in  
20 this state, and has not filed and is not required to file any state or local tax  
21 return in this state.

22 D. The taxpayer claiming the digital nomad exemption shall maintain all  
23 records necessary to verify that they meet the requirements of this Section.

24 E. The Department of Revenue shall limit the number of taxpayers  
25 eligible for the digital nomad exemption to one thousand individuals for the life  
26 of the program.

27 F. The Department of Revenue shall provide an annual written  
28 evaluation of the individual income tax exemption for digital nomads and its  
29 effectiveness in inducing individuals to locate in Louisiana and present its

1 findings to the Senate Committee on Revenue and Fiscal Affairs and the House  
2 Committee on Ways and Means by January first of each year beginning in 2024.

3 G. Recovery by Department of Revenue.

4 (1) The tax exemption previously granted to a taxpayer under this  
5 Section, but later disallowed, may be recovered by the secretary of the  
6 Department of Revenue through any collection remedy authorized by R.S.  
7 47:1561 and initiated within three years from December thirty-first of the year  
8 in which the exemption was claimed.

9 (2) The only interest that may be assessed and collected on the recovered  
10 exemption is interest at a rate of three percentage points above the rate  
11 provided in R.S. 9:3500(B)(1), which shall be computed from the original due  
12 date of the return on which the exemption was claimed.

13 (3) The provisions of this Subsection are in addition to and shall not limit  
14 the authority of the secretary of the Department of Revenue to assess or to  
15 collect under any other provision of law.

16 H. The Department of Revenue may promulgate rules in accordance  
17 with the Administrative Procedure Act to carry out the intent and purposes of  
18 this Section.

19 I. There shall be no exemption pursuant to this Section for any wages  
20 earned by a digital nomad after December 31, 2025.

21 Section 2. This Act shall become effective upon signature by the governor or, if not  
22 signed by the governor, upon expiration of the time for bills to become law without signature  
23 by the governor, as provided by Article III, Section 18 of the Constitution of Louisiana. If  
24 vetoed by the governor and subsequently approved by the legislature, this Act shall become  
25 effective on the day following such approval.

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The original instrument and the following digest, which constitutes no part  
of the legislative instrument, were prepared by Curry Lann.

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\$150,000 or the gross wages of each taxpayer who qualifies as a digital nomad.

Proposed law provides the exemption applies only to gross wages received from the services performed as a digital nomad for a period of up to two taxable years during taxable years 2022, 2023, 2024, and 2025.

Proposed law requires a taxpayer claiming the digital nomad exemption to maintain domicile in Louisiana for one calendar year following the last year the exemption is claimed.

Proposed law provides "digital nomad" means an individual who:

- (1) Establishes residency in Louisiana after December 31, 2021.
- (2) Is considered a covered person with major medical health insurance.
- (3) Is self-employed or works remotely full-time for a nonresident business.
- (4) Is required to file a Louisiana resident or part-year resident individual income tax return for the taxable year in which the exemption is claimed.
- (5) Has not been domiciled in Louisiana for any of the prior three years.
- (6) Has not been required to file a Louisiana resident or part-year resident individual income tax return for any of the prior three years.
- (7) Performs the majority of employment duties in this state either remotely or at a coworking space.

Proposed law defines the following terms:

- (1) "Covered person" means a policyholder, subscriber, enrollee, or other individual enrolled in or insured by a health insurance issuer for major medical health insurance coverage.
- (2) "Major medical health insurance coverage" means any hospital, health, or medical expense insurance policy, hospital or medical service contract, health and accident insurance policy, or any other contract of this type providing comprehensive major medical benefits, including a group insurance plan, or any policy of family group, blanket, or association health and accident insurance, a self-insurance plan, an employee welfare benefit plan, or a health maintenance organization subscriber agreement. The term "major medical health insurance" does not include publicly funded programs, including federal governmental benefit plans, that are wholly or partially funded by this state.
- (3) "Nonresident business" means a business entity that is not registered to do business in this state, has no agents, independent contractors, or employees other than digital nomads in this state, is not transacting business in this state, and has not filed and is not required to file any state or local tax return in this state.

Proposed law requires a taxpayer claiming the digital nomad exemption to maintain all records necessary to verify that they meet the requirements of proposed law.

Proposed law requires the Dept. of Revenue to limit the number of taxpayers eligible for the digital nomad exemption to 1,000 individuals for the life of the program.

Proposed law requires the Dept. of Revenue to provide an annual written evaluation of the individual income tax exemption for digital nomads and its effectiveness in inducing individuals to locate in Louisiana and present its findings to the Senate Committee on

Revenue and Fiscal Affairs and the House Committee on Ways and Means by January 1 of each year beginning in 2024.

Proposed law provides for recovery of the exemption by the Dept. of Revenue through any collection remedy authorized in present law if the exemption is disallowed.

Proposed law authorizes the Dept. of Revenue to promulgate rules in accordance with the APA.

Proposed law provides for a sunset of the exemption for any wages earned by a digital nomad after December 31, 2025.

Effective upon signature of the governor or lapse of time for gubernatorial action.

(Adds R.S. 47:293(9)(a)(xx) and 297.16)

#### Summary of Amendments Adopted by Senate

##### Committee Amendments Proposed by Senate Committee on Revenue and Fiscal Affairs to the original bill

1. Provides for an individual income tax exemption not to exceed the lesser of \$150,000 or the gross wages of each taxpayer who qualifies as a digital nomad.
2. Provides the exemption applies only to gross wages received from the services performed as a digital nomad for a period of up to two taxable years during taxable years 2022, 2023, 2024, and 2025.
3. Requires a taxpayer claiming the digital nomad exemption to maintain domicile in Louisiana for one calendar year following the last year the exemption is claimed.
4. Provides for changes to the definition of "digital nomad" and defines "nonresident business".
5. Removes LED from the provisions of proposed law.
6. Requires the Dept. of Revenue to limit the number of taxpayers eligible for the digital nomad exemption to 1,000 individuals for the life of the program.
7. Provides for recovery of the exemption by the Dept. of Revenue.
8. Authorizes the Dept. of Revenue to promulgate rules.
9. Provides for a sunset of the exemption for any wages earned by a digital nomad after December 31, 2025.