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Estimates of State-by-State Impacts of the Mobile Workforce State Income Tax Fairness and Simplification Act Prepared for the State Tax Research Institute

This analysis presents state-by-state estimates of the net change in state personal income taxes projected from the impact of the Mobile Workforce State Income Tax Simplification Act of 2015 (S. 386 and H.R. 2315). The net impact figures for each state include two components: 1) the estimated reduction in income tax collections due to the increase in the number of in-state days (30 days, less a state's current-law day threshold) required before a nonresident employee is subject to income taxation, and 2) the estimated increase in tax collections in residence states due to reduced credits on resident income tax returns for taxes paid by the residents to other states where they work and are taxed as nonresidents.

The bill has the following features that are determinants of the estimated state income tax impacts:

- A nonresident employee, with limited exceptions, performing employment duties in a state for 30 days or less would not be subject to the nonresident state's personal income tax.

- An employee is considered to be performing employment duties within a state for a day if the preponderance of their employment duties for the day occurs within the state. If employment duties are performed in a nonresident state and a resident state in the same day, the employee is considered to be performing employment duties in the nonresident state for the day.

- The legislation would not be effective until January 1 of the second year that begins after the date of the enactment (January 1, 2017 at the earliest).

Table 1 provides state-by-state estimates of the change in net personal income taxes (in millions of dollars) due to the proposal. The net change for all states and the District of Columbia (-$44.5 million) is the sum of the revenue reduction due to reduced taxes paid by nonresident employees and the revenue increase due to additional taxes paid by residents (reduced credits for taxes paid to nonresident states). Table 1 also reports the net change as a percent of fiscal year 2013 total state taxes.[1]

Twenty-seven states have either an income tax revenue gain or no loss under S. 386/H.B. 2315; another 19 states have revenue reductions less than 0.02% (two-hundreds of a percent or two-tenths of a mill) of state tax collections. As the table illustrates, the bill redistributes income taxes between resident and nonresident states with only a very slight reduction in total income taxes collected by the states. For all states combined, the net change in total taxes is only a reduction of -0.01%, or nearly $45 million, which accrues as a reduction in overall personal income taxes.

[1] The estimates were prepared by Ernst & Young LLP based on survey data provided by seventeen states through the Federation of Tax Administrators, as well as state tax collection data for other states from the U.S. Census *Governmental Finances* and state tax collection reports and journey-to-work data from the U.S. Census. The total tax collection amount for Illinois was reduced to reflect the individual income tax rate reduction from 5% in 2013 to 3.75% in 2015. For all other states, the net tax change is expressed as actual 2013 tax collections, without revision.

Table 1: Estimated State Tax Revenue Impact of S. 386/H.B. 2315
FY 2013 Levels of Tax Collections

State	Net Change as a Percent of Total State Taxes	Net Change in Millions of Dollars
Alabama	0.00%	$0.4
Alaska	-	-
Arizona	0.01	1.6
Arkansas	-0.01	-0.5
California	-0.01	-8.7
Colorado	-0.01	-1.6
Connecticut	-0.01	-1.6
Delaware	0.04	1.3
District of Columbia	0.00	0.2
Florida	-	-
Georgia	-0.01	-1.6
Hawaii	0.00	0.2
Idaho	0.00	0.1
Illinois	-0.03	-8.9
Indiana	0.02	4.2
Iowa	0.00	0.4
Kansas	-0.00	-0.0
Kentucky	-0.01	-1.4
Louisiana	-0.02	-2.1
Maine	0.00	0.1
Maryland	0.01	1.3
Massachusetts	-0.03	-6.9
Michigan	-0.01	-1.7
Minnesota	-0.01	-3.1
Mississippi	0.01	0.5
Missouri	0.02	1.9
Montana	-0.01	-0.2
Nebraska	-0.00	-0.1
Nevada	-	-
New Hampshire	-	-
New Jersey	0.10	28.5
New Mexico	-0.00	-0.1
New York	-0.06	-44.5
North Carolina	-0.01	-2.4
North Dakota	-0.00	-0.3
Ohio	-0.01	-1.8
Oklahoma	-0.01	-0.5
Oregon	-0.04	-3.3
Pennsylvania	-0.00	-0.8
Rhode Island	0.11	3.2
South Carolina	0.03	2.7
South Dakota	-	-
Tennessee	-	-
Texas	-	-
Utah	-0.01	-0.8
Vermont	0.01	0.3
Virginia	-0.00	-0.7
Washington	-	-
West Virginia	0.01	0.3
Wisconsin	0.01	1.9
Wyoming	-	-
Total for All States	**-0.01%**	**-$44.5**

The proposed law change would not apply until January 1, 2017. As shown in Table 2, there would be no fiscal impact on states for fiscal years 2015 and 2016, and only a partial-year impact (less than 50% of the annual impact) for fiscal year 2017, which ends July 31, 2017 for most states. The full fiscal year impact will first occur in fiscal year 2018.

Table 2: Fiscal Year Impact of S. 386/H.B. 2315
FY 2013 Levels of Tax Collections

Fiscal Year	Impact on State Income Taxes
2015	No impact
2016	No impact
2017	Less than $23 million
2018	$44.5 million