



## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

January 25, 2012

### **H.R. 1864** **Mobile Workforce State Income Tax Simplification Act of 2011**

*As ordered reported by the House Committee on the Judiciary on November 17, 2011*

H.R. 1864 would limit the authority of states to tax the income of certain residents. CBO estimates that implementing the legislation would have no impact on the federal budget. Enacting the bill would not affect direct spending or revenues, so pay-as-you-go procedures do not apply.

H.R. 1864 would impose an intergovernmental mandate as defined in the Unfunded Mandates Reform Act (UMRA) by prohibiting states from taxing the income of employees who work in the state for fewer than 31 days. The prohibition would not apply to the income of professional athletes, entertainers, or public figures. UMRA includes in its definition of mandate costs any amounts that state governments would be prohibited from raising in revenues as a result of the mandate. The mandate costs of H.R. 1864 would include any taxes that state governments would be precluded from collecting under the bill.

Most states that levy a personal income tax allow residents to take a credit for income taxes that the residents pay to another state. The cost of the mandate would equal, for all states collectively, the difference between the amount of revenue that states receive from nonresidents who work in the state for fewer than 31 days and the amount they would receive from residents whose credits would be lower under the bill. Generally, states that have large employment centers close to a state border would lose the most revenue; states from which employees tend to commute would gain revenue. For example, New York would likely lose the largest amount of revenue—from \$50 million to \$100 million according to state and industry estimates—and Illinois, Massachusetts, and California would face smaller losses. New Jersey and Connecticut would likely gain revenue.

Because of uncertainty about the amount of revenue that states collect from nonresidents, and the amount they would receive from residents whose credits would be lower under the bill, CBO cannot estimate the net cost of the mandate. Consequently, CBO cannot determine whether the net cost of the intergovernmental mandate in the bill would exceed the annual threshold established in UMRA (\$73 million in 2012, adjusted annually for inflation).

H.R. 1864 contains no private-sector mandates as defined in UMRA.

The CBO staff contacts for this estimate are Mark Grabowicz (for federal costs) and Elizabeth Cove Delisle (for intergovernmental impacts). The estimate was approved by Theresa Gullo, Deputy Assistant Director for Budget Analysis.