



May 2011

FOR CONGRESSIONAL OFFICES

H.R. 1864: THE MOBILE WORKFORCE STATE INCOME TAX SIMPLIFICATION ACT OF 2011

Please support and co-sponsor H.R. 1864, the *Mobile Workforce State Income Tax Simplification Act of 2011* and the Senate companion bill when it is introduced.

Background

- Businesses, including small businesses, family businesses and CPA firms that operate interstate, are subject to a significant regulatory burden with regard to compliance with non-resident state income tax withholding laws.
- There are 41 states that impose a personal income tax on wages, and there are many differing tax requirements regarding the withholding for income tax of non-residents among those 41 states. A number of states have a *de minimis* threshold, or exemption for non-residents working in the state before taxes must be withheld and paid. Others have a *de minimis* exemption based on the amount of the wages earned, either in dollars or as a percent of total income, while in the state. The rest of the states that impose personal income taxes on non-resident income earned in the state require only a work appearance in the state.
- Having a uniform national standard for state non-resident income tax withholding would significantly ameliorate these burdens. Additionally, there is a need for a *de minimis* exemption from the multi-state assessment of state non-resident income tax.
- A reasonable *de minimus* period would ensure that the interstate work for which an exemption from withholding is granted does not become a means of avoiding being taxed or shifting income tax liability to a state with a lower rate. Instead, it ensures that the primary place(s) of business for an employee are where that employee pays state income taxes.
- Congressman Howard Coble (R-NC) has introduced H.R. 1864, the *Mobile Workforce State Income Tax Simplification Act of 2011*, along with Congressman Hank Johnson (D-GA) that will create a uniform national standard and limit state or local taxation of the compensation of any employee who performs duties in more than one state or locality to: (1) the state or locality of the employee's residence; and (2) the state or locality in which the employee is physically present performing duties for more than 30 days.
- With respect to concerns that may be raised about the impact of this legislation on state revenues, studies on this legislation show the net impact on state tax receipts are minimal. According to studies, 25 states will actually gain revenue or have no loss, and 22 states will have revenue



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reductions of less than .02%. For all the states combined, the net change in total taxes will be approximately a \$42 million reduction in personal income tax receipts.

AICPA Position

- Having a uniform national standard would eliminate the burden of having to research multiple state laws when employees work on an interstate basis only for short periods of time.
- In today's uncertain economic times, businesses should not be expending their resources on the administrative burden that multiple, inconsistent state tax laws impose. Rather, they should focus on operating their business, job creation and retaining employees.
- Congressman Coble and Congressman Johnson have reached a balance of the interest of states in taxing work being done within their borders and the needs of business, and especially small business, to be able to operate efficiently in this economic climate.
- Enactment of the bill should enhance compliance with state non-resident tax laws.

AICPA Legislative Recommendation

- H.R. 1864 which relates to compliance with non-resident state income tax withholding laws, which incorporates a 30 day *de minimus* exemption, and nationwide uniformity, should be supported. Please let Congressman Coble or Congressman Johnson know you would like to co-sponsor the bill.

To Co-Sponsor in the House

- Congressman Howard Coble – John Mautz, Legislative Director, (202) 225-3065, john.mautz@mail.house.gov.
- Congressman Hank Johnson – Jocelyn Griffin, Legislative Counsel, (202) 225-1605, jocelyn.griffin@mail.house.gov

In the Senate

- As soon as a bill is introduced in the Senate, please consider becoming a sponsor.

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