



The measure does not apply to the following:

- any business exempt from complying with federal employment verification procedures;
- employees hired prior to January 1, 2008;
- any workers not paid directly by the employer; or
- wages paid to an employee that presents a valid license or identification card issued by the Department of Revenue.

The measure allows the Executive Director of the Department of Revenue to prescribe forms and promulgate rules necessary to implement the provisions of the measure.

### **State Revenues**

Because the measure disallows the claiming of some expenses that may be occurring under federal law, it may increase the state taxable income of some business taxpayers. However, in order for the state to see an increase in income tax collections, a company that is violating federal law by hiring illegal aliens would have to admit such a violation on their state income tax return. Effectively, a company that is already violating federal law would have no incentive to proclaim their guilt on their state income taxes. Therefore, staff believes that it is unlikely that the state will receive any additional revenue, except in cases where a company is audited and found guilty. However, this scenario is also fairly unlikely since the company would have to be found to have illegally employed "unauthorized aliens" and then be found to owe taxes as a result of the audit. In addition, if the alien showed the employer a valid identification card or license, even if the card was obtained illegally, the employer would have no liability.

### **State Expenditures**

An expenditure of \$43,750 for the Department of Revenue will be necessary for computer programming in order to add a line for an expense add-back on the corporate income tax form. If this expense is included in programming expenses that are included in the FY 2007-08 Long Bill appropriations to the Department of Revenue, the appropriation would not be required to implement the bill.

### **Election Expenditure Impacts (For Informational Purposes Only)**

The bill refers a measure to the voters at the November 2006 general election. This measure will be published in newspapers and an analysis of the measure will be included in the Blue Book mailed to all registered voter households prior to the election. Under current law, costs for these functions will be paid through a General Fund line item in the Long Appropriations Bill. The estimated costs for the 2006 Blue Book are outlined in Table 1.

<b>Table 1. Estimated Costs of Producing the 2006 Blue Book and Distributing to All Registered Voter Households</b>	
Printing	\$275,000
Postage	\$325,000
Translation	\$20,000
Newspaper Publication (English & Spanish)	\$600,000
<b>Total Expenses (for an estimated 12 issues)</b>	<b>\$1,220,000</b>
<b>Average Expense Per Issue</b>	<b>\$101,667</b>

### **State Appropriations**

The fiscal note implies that no appropriation for FY 2006-07 is necessary to implement the bill. However, it should be noted that an expenditure of \$43,750 for the Department of Revenue will be necessary for computer programming in order to add a line for an expense add-back on the corporate income tax form. If this expense is included in programming expenses that are included in the FY 2007-08 Long Bill appropriations to the Department of Revenue, the appropriation would not be required to implement the bill.

### **Departments Contacted**

Labor and Employment

Personnel and Administration

Revenue