

**STATE
FISCAL IMPACT**

Drafting Number: LLS 14-0185 **Date:** January 24, 2014
Prime Sponsor(s): Rep. Nordberg; Saine **Bill Status:** House Finance
 Sen. Kefalas; Lundberg **Fiscal Analyst:** Louis Pino (303-866-3556)

SHORT TITLE: NONRESIDENT DISASTER RELIEF WORKER TAX EXEMPTION

Fiscal Impact Summary*	FY 2014-2015	FY 2015-2016
State Revenue <i>Revenue Change</i> General Fund	<u>Potential revenue reduction</u> (See State Revenue section)	
State Expenditures General Fund	<u>\$30,900</u> \$30,900	
FTE Position Change		
Appropriation Required: Department of Revenue - \$30,900 (FY 2014-15)		

* This summary shows changes from current law under the bill for each fiscal year.

Summary of Legislation

HB14-1003 allows a state withholding tax exemption for nonresident taxpayers who performed disaster-related work during a disaster period in the state. The withholding exemption is available beginning in tax year 2015.

Background

Under current law, nonresident individuals are required to file a Colorado income tax return if they receive income from sources within Colorado. Employers of nonresident individuals, whether in-state or based in another state, are required to withhold Colorado state income taxes on this income.

HB14-1003 allows a state withholding tax exemption for nonresident taxpayers who perform disaster-related work during a disaster period in the state. The bill defines disaster period as the time the governor declares a disaster emergency until 60 days after the declaration expires. Disaster related work is defined "as repairing, renovating, installing, building, or rendering services that relate to infrastructure that has been damaged, impaired or destroyed by a declared state emergency or providing emergency medical, firefighting, law enforcement, hazardous material, search and rescue, or other emergency related to a declared state disaster emergency."

The withholding exemption is rendered on the taxpayer's Colorado income tax return.

State Revenue

This bill will reduce state revenue for tax years in which the governor declares a disaster emergency. Because the timing of any future disaster declaration and the scope of any disaster-related work is unknown, the impact has not been estimated. Based on 2012 state income tax data for all nonresident taxpayers, net taxes collected was \$3.6 million. For example, if five percent of this amount was attributed to a declared emergency, revenue would decrease by up to \$180,000.

State Expenditures

Modifying the state income tax return form to allow the exemption of certain income will cost an estimated \$30,900 in FY 2014-15 only. Adding a new line to the form will require programming changes to the GenTax and the Colorado Integrated Tax Architecture (CITA) systems. The programming changes are estimated to take 150 hours at the contractor's rate of \$206.00 per hour. These costs will be paid from the General Fund.

Effective Date

The bill takes effect August 6, 2014, if the General Assembly adjourns on May 7, 2014, as scheduled, and no referendum petition is filed.

State and Local Government Contacts

Revenue