

Department of Finance and Administration

Legislative Impact Statement

Bill: HB1409

Bill Subtitle: TO CREATE AN EXEMPTION FROM THE INCOME TAX FOR SERVICE PAY AND ALLOWANCES OF FOREIGN SERVICE PERSONNEL.

Basic Change :

Sponsor: Representative: House

HB 1409 creates an exemption from income tax for service pay and allowances of foreign service personnel and is effective for tax years beginning on and after January 1, 2017.

Revenue Impact :

FY2018 \$20,000 reduction to General Revenue.

[Impact is based on the limited number of affected taxpayers that could qualify for this exemption. An estimate of 10 taxpayers with average taxable income of \$45,000.]

Taxpayer Impact :

A taxpayer who becomes employed as a foreign service officer or specialist would no longer be taxed on their service pay and allowances providing the taxpayer resides outside of the state more than 180 days in a calendar year.

Resources Required :

Tax forms and instructions will need to be revised, along with programming of the processing system.

Time Required :

Adequate time is provided.

Procedural Changes :

None.

Other Comments :

None.

Legal Analysis :

The bill creates an income tax exemption for service pay and allowances of foreign service personnel by amending § 26-51-306. The title of this code section may need to be revised to read Compensation and benefits from military service and foreign service. The bill defines "foreign service personnel" as a person employed by the U.S. Department of State in a position of a foreign service officer or specialist and resides out of state for more than one hundred eighty (180) days in the calendar year. The section does not exempt from taxation income from sources separate from the military service or foreign service pay and allowances.