

**Colorado Department of Revenue
2014 Flood Recovery Legislative Proposal**

Proposal #2

Title of Proposal: Income Tax Filing and Remittance Relief for Out of State Disaster Recovery Workers

Summary of Proposal and Rationale: During the period immediately after a natural disaster it is common for businesses and individuals, some of whom are not Colorado residents, to travel to Colorado to provide needed relief services. This proposal is aimed at ensuring those individuals here in Colorado to provide disaster relief are not penalized by having to file and pay Colorado income taxes. This proposal is similar to legislation that was passed in New Jersey after Hurricane Sandy. The proposal was originally submitted by Heidi Morgan of Black Hills Corporation.

Key Changes: Currently statutes require if an out of state resident comes to Colorado for business, that they must attribute the income earned during that period to Colorado and report and remit Colorado income taxes on that income. This proposal would eliminate that requirement for disaster relief workers in Colorado for a limited amount of time.

Affected Statutes: CRS 39.22.601 and CRS 39.22.604

Fiscal and Economic (Jobs/FTE) Impact: There should be a very modest reduction in state income tax revenues if these relief workers are not required to pay Colorado income tax for the time they are here working on disaster relief. It would be very difficult to quantify this impact because each disaster would be different in size and duration and we cannot with any degree of certainty estimate how many out of state disaster relief workers would be in Colorado at any given time. Furthermore, the fiscal impact is a function of how much grace period is allowed these out of state relief workers. In other words a 30-day grace period would have a lesser negative fiscal impact than a 60 or 180-day grace period.

Impact on other Executive Agencies: We do not envision an impact of any significance to any other executive branch agency. In fact, we believe this proposal may, if adopted, increase out of state resources available to assist in a given natural disaster recovery efforts.

Potential Supporters: Out of state disaster relief workers, out of state volunteers, citizens and community leaders impacted by the disaster and in need of relief.

Potential Opponents: We have not been able to identify any groups or individuals who would be opposed to this proposal.

Potential Sponsors: To Be Determined

Consequences if Denied: There would not be a major negative consequence if this proposal is not adopted. Identifying these out of state workers is not a top priority for the Department of Revenue when performing audits; therefore we are not certain of the number of companies that currently adhere and comply with Colorado statutes requiring income tax to be paid by these workers here on a temporary basis to provide disaster relief. Therefore, while the actual impact may be relatively modest, the message it sends and the perception of those wanting to provide disaster relief should be positive and welcoming; however we don't expect a huge outcry if the proposal does not move forward.