



Trends in State Taxation

NCSL Tax Working Group

Jackson Brainerd, Program Principal

NCSL Fiscal Affairs Program

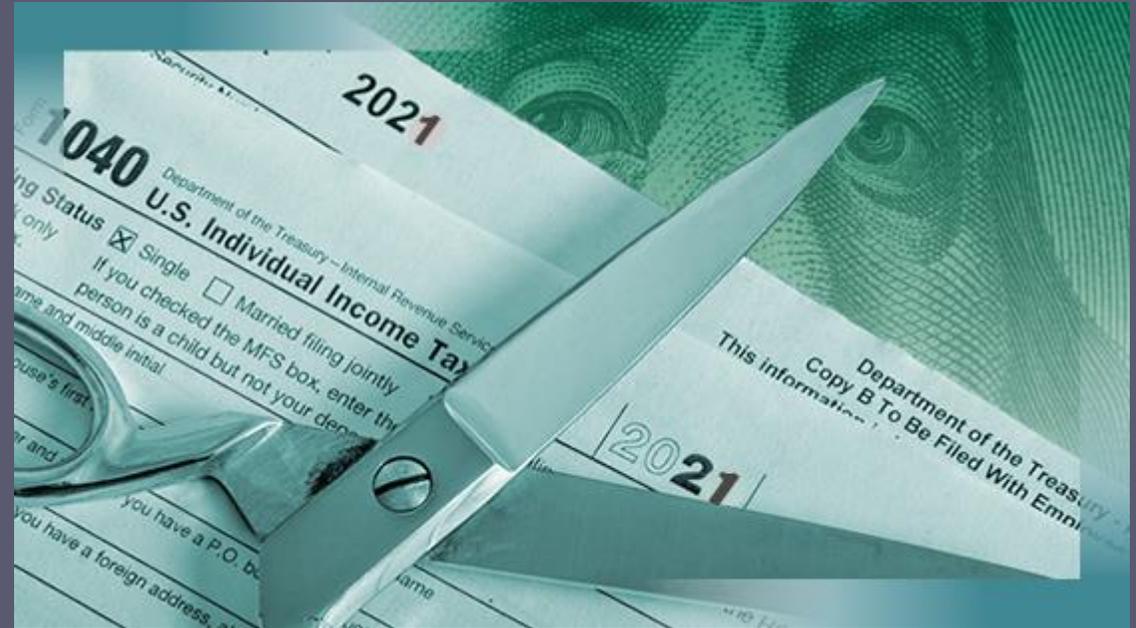
May 18, 2022

State Fiscal Situation

- Revenue growth is largely positive
- Major tax categories did not decline as much as projected
- States did not have to tap into rainy-day funds as much as expected
 - Many have been able to restore or add to RDFs
- Enhanced FMAP reduced state Medicaid burdens
- Cautious optimism

2021 State Tax Trends

- Income Tax Cuts and Other Forms of Individual Relief
- Federal Conformity (TCJA, CARES, and ARP)
- Other Business Tax Relief Efforts: SALT Cap Workarounds, Tax Credits
- Excise Tax Increases
- Digital Ads and Social Media Tax Proposals



2021 Broad-Based Rate Reductions

- Arizona (S 1828): PIT rate cut
- Arkansas (SB 1b): PIT rate cut
- Idaho (H 380): PIT rate cut
- Iowa (S 619): Accelerated PIT rate cut; Inheritance tax phased out.
- Louisiana (H 278): PIT and CIT rate cuts, contingent on voter approval in November
- Montana (S 159): PIT rate cut
- Missouri (SB 153): PIT rate cut
- Nebraska (LB 432): CIT rate cut
- New Hampshire (HB 1): Business tax rate cuts, interest and dividends tax phased out.
- North Carolina (SB 105): CIT phased-out
- Ohio (HB 110): PIT rate cut
- Oklahoma (H 2960/H 2962): PIT and CIT rate cuts
- Wisconsin (AB 68): PIT rate cut (2nd bracket)



2021 Individual Taxpayer Relief Efforts



Exemption for Covid Relief or Unemployment Insurance Payments

AR, CA, AL, DE, MD, MN, MS



EITC/CTC Increase

CO, CT, DC, DE, IA, IN, MD, NJ, NM, OK, WA



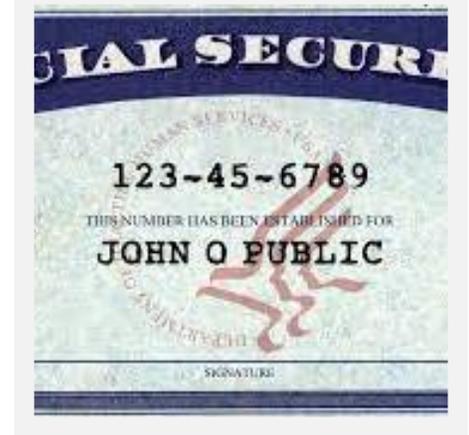
Sales Tax Holidays

AR, FL, TN



Tax Rebates

CA, ID, NM



Standard Deduction Increase/SS Income Exemption

GA, NE

2022 Broad-Based Income Tax Rate Reductions

- Georgia (H 1437)
- Idaho (H 436)
- Iowa (H 2317)
- Indiana (H 1002)
- Kentucky (H 8)
- Mississippi (H 531)
- Nebraska (L 873)
- New York (S 8009)
- Utah (S 59)



2022 Individual Tax Relief: Other Major Proposals

- Sales Tax Reductions
- Income Tax Rebates
- Retirement Income Tax Relief
- Motor Fuel Suspensions/Freezes/Cuts
- Earned Income Tax Credits/Child Tax Credits
- Property Tax Relief



Sales Tax Relief

- Rate cut approved in New Mexico
- Sales Tax Holidays:
 - Florida (H 7071)
 - Illinois (H 4470)
- Grocery Tax Reductions:
 - Kansas (H 2106)
 - Illinois (S 157)
 - Idaho (S 509)
 - Tennessee



Income Tax Rebates

- **Colorado** (S 233): TABOR rebate will provide \$400 for individuals, \$800 for families
- **Delaware** (H 360): one-time direct payment of \$300 per resident taxpayer
- **Idaho** (H 436): \$75 rebate for each taxpayer and dependent
- **Illinois** (S 157): Individuals who earned less than \$200,000 during tax year 2021 will receive a one-time rebate of \$50 for single filers and \$100 for joint filers, with an additional \$100 per dependent for up to three dependents.
- **Maine** (H 1482): approved one-time, \$850 checks directly to an estimated 858,000 Maine people. Those eligible must have a Federal adjusted gross income (FAGI) of less than: \$100,000
- **New Mexico**: Two separate rebates approved. H 163 provided \$250 for individuals, \$500 for joint filers. H 2a provided \$500 to single filers and \$1000 for joint filers.
- Various rebate proposals have been submitted in at least 14 other states.



Retirement Income Relief

- **Alabama** (H 162): Up to \$6,000 of taxable retirement income is exempt from state income tax
- **Connecticut** (H 5506): Exempt pension and annuity earnings from the state income tax
- **Georgia** (H 1437): Increased retirement income exclusion
- **Iowa** (H 2317): exempts retirement income from tax for taxpayers aged 55 and older
- **Maryland** (H 1468): Retirement income subtraction modification for public safety employees and created a new retiree tax credit
- **Nebraska** (LB 873): Accelerated phase-out of income tax on social security benefits.
- **New Mexico** (H 163): exempt social security income from income tax for certain individuals
- **Utah** (S 59): expanded eligibility for the social security benefits tax credit by increasing the threshold for the income based phaseout



Motor Fuel Tax Holidays

- **Connecticut** (H 5501): gas tax suspended through November 30, 2022. Est. \$90 million loss.
- **Florida** (H 7071): gas tax holiday for month of October 2022. Est. \$200 million loss.
- **Georgia** (H 304): gas tax suspended from March 18- May 31, 2022. Est. \$160 million loss per month.
- **Illinois** (S 157): suspended the motor fuel tax inflation adjustment for six months from July 1 until Dec. 31, 2022.
- **Maryland** (H 1486): waived the state gas tax for 30 days. Est. \$93.6 million loss
- **New York** (S 8009): suspended the gas tax for seven months , June 1 – Dec. 31, 2022. Est. \$585 million loss.



Earned Income/Child Tax Credits

- **Connecticut** (H 5506): Created a \$250 per child tax credit for lower and middle-earning families and increased the earned income tax credit.
- **Illinois** (S 157): Increased earned income tax credit from 18% to 20% of the federal credit
- **Maine** (H 1482): Increased the state EITC for childless individuals from 25 percent to 50 percent of the federal credit and from 12 percent to 25 percent for all other eligible claimants for tax years beginning on or after January 1, 2022.
- **Maryland** (S 369): Established new program to identify residents who are eligible to claim the state EITC but have failed to do so and to provide them with a streamlined method to claim it.
- **New York** (S 8009): Enhanced state EITC
- **New Mexico** (H 163): New, refundable CTC ranging from \$25 to \$175 per child, depending on income
- **Utah** (S 59): Enacts a state earned income tax credit



- **Colorado** (S 238): Reduces property tax assessment rates and taxable valuations for the 2023 and 2024 tax years and requires that the state government reimburse local governments for a portion of the resulting property tax revenue reductions.
- **Connecticut** (H 5506): Increased the property tax credit from \$200 to \$300.
- **Florida** (HB 7071): Provides property tax relief for residential property rendered uninhabitable for 30 days or more due to a catastrophic event.
- **Idaho** (H 550): Expanded circuit breaker tax exemption.
- **Illinois** (H 4470): Budget bill included a one-time property tax rebate for homeowners, capped at \$300.
- **Nebraska** (L 873): Refundable income tax credit for community college property taxes paid.
- **New York** (S 8009): \$2.2 billion homeowner tax rebate credit
- **Texas**: Voters approved Prop 1 and Prop 2 in May 2022, which will limit ad valorem taxes for schools and increase the homestead exemption.



Property Tax Relief

SMALL BUSINESS

2021 Business Tax Relief



NATIONAL CONFERENCE OF STATE LEGISLATURES

PPP Loans

- Loans Excluded from Taxable Income
- PPP-funded Expenses Made Deductible

SALT Cap Workarounds

Alabama, Arkansas, Arizona, California, Colorado, Georgia, Illinois, Massachusetts Minnesota, Michigan, New York, North Carolina, Oklahoma, Oregon and South Carolina

Tax Incentives

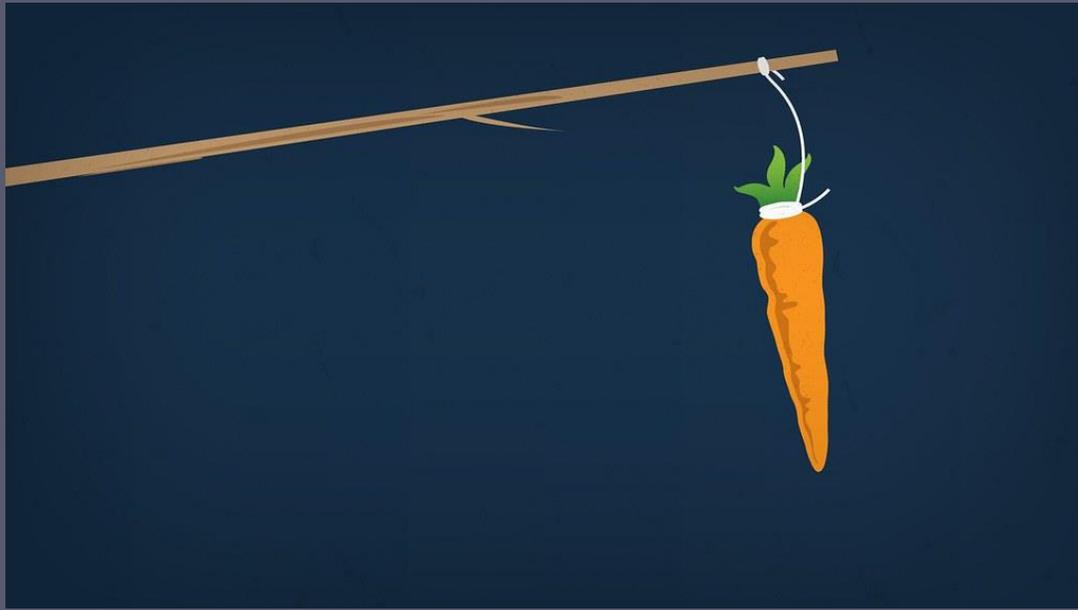
- Job Creation/Investment Credits: Alabama, California, Kentucky, Maryland, Minnesota, Montana, Nebraska, New Jersey, New York, West Virginia
- Film Tax Incentives: Arkansas, California, Kentucky, Massachusetts, Minnesota, Montana, Nevada, Oklahoma, Tennessee, Utah

At Least 27 Have Approved New PTE Taxes Since 2018

- Alabama (2021)
- Arizona (2021)
- Arkansas (2021)
- California (2021)
- Colorado (2021)
- Connecticut (2018)
- Georgia (2021)
- **Kansas (2022)**
- Idaho (2021)
- Illinois (2021)
- Louisiana (2019)
- Maryland (2020)
- Massachusetts (2021)
- Michigan (2021)
- Minnesota (2021)
- **Mississippi (2022)**
- New Jersey (2020)
- **New Mexico (2022)**
- New York (2021)
- North Carolina (2021)
- Oklahoma (2019)
- Oregon (2021)
- Rhode Island (2019)
- South Carolina (2021)
- **Utah (2022)**
- **Virginia (2022)**
- Wisconsin (2018)

Enacted

- Illinois: Growing Economy Tax Credit
- Indiana: New film and media production tax credit, increases economic development authority discretion over administering investment credits
- Kansas: New \$800 million investment incentive program
- Maryland: Work Opportunity Tax Credit
- New Jersey: Enhanced the digital media production credit (\$20 million annual revenue reduction)
- New York: \$600 million for Buffalo Bills' stadium construction
- Oklahoma: \$698 million Large Scale Economic Activity and Development Act
- Utah and West Virginia: New film tax subsidy



2022 Tax Incentives

Significant 2021 Revenue Increases

Tax Increases on Higher Earners

- D.C.- Rate increase on incomes over \$250K
- NY – Marginal rate increased to 9.65% from 8.82%
- MA- Millionaires' Tax Ballot Measure
- WA- New Capital Gains Tax

Business Taxes

- Illinois
- Connecticut
- Nevada
- Texas

Digital Goods

- Colorado, Maryland



2021 Digital Advertising and Social Media Tax Proposals

- Maryland enacted HB 732: Gross receipts tax on digital ad revenues for companies with over \$100 million in global annual gross revenues.

Similar proposals in:

- Arkansas
- Connecticut
- Indiana
- Massachusetts
- Montana
- New York
- Texas
- West Virginia



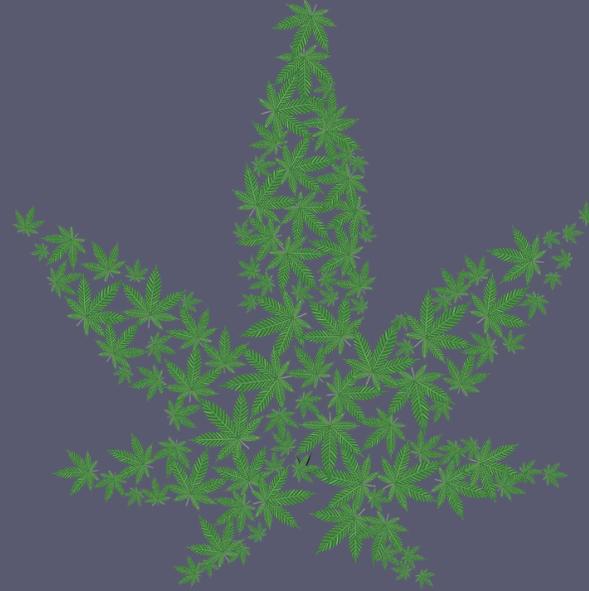
2021 Excise Tax Actions

Cannabis Legalization:

- Connecticut
- Montana
- New York
- New Jersey
- New Mexico
- Virginia

Sports Betting Legalization/Expansion:

- Arizona
- Connecticut
- Florida
- Louisiana
- Maryland
- Nebraska
- New York
- South Dakota
- Wisconsin
- Wyoming



2022 Revenue Increases

- Sales Tax Base Expansion
 - Kentucky (H 8)
- New Paid Family Leave Payroll Taxes
 - Maryland (S 275)
 - Delaware (SB 1)
- Tourism Taxes
 - Kentucky (H 8): peer to peer car sharing excise tax
- Online Gambling/Sports Betting
 - Kansas (S 84)
- Marijuana Legalization
 - Delaware (H 372)
 - Maryland (H 1/ H 837)



Interesting New 2022 Tax Proposals

Hawaii: Carbon Tax

Colorado: Accepting cryptocurrency
for tax payments

Oregon: Luxury Sales Tax

Washington: Fuel Export Tax



Other Tax Issues in 2022

- Remote Work Guidelines
- Corporate Apportionment
- Responding to Possible Federal Activity



Thank You!

Contact:

Jackson Brainerd

jackson.brainerd@ncsl.org

