



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

September 22, 2000

H.R. 1293

A bill to amend title 46, United States Code, to provide equitable treatment with respect to state and local income taxes for certain individuals who perform duties on vessels

As ordered reported by the House Committee on the Judiciary on September 20, 2000

SUMMARY

H.R. 1293 would prohibit state and local governments from imposing income taxes on individuals working on vessels operating on the navigable waters of more than one state unless that individual resides in the jurisdiction assessing the tax. Such a prohibition is an intergovernmental mandate as defined in the Unfunded Mandates Reform Act (UMRA). CBO estimates that the costs of this mandate would be well below the threshold established in UMRA (\$55 million in 2000, adjusted annually for inflation). H.R. 1293 would have no impact on the federal budget and contains no new private-sector mandates as defined in UMRA.

According to the Federation of Tax Administrators (FTA), under current law the amount of state and local income taxes owed by the individuals affected by this bill is based on the jurisdiction with the highest applicable income tax rate: either the jurisdiction where the income is earned, or the jurisdiction where the worker resides. In contrast, under H.R. 1293 state and local income taxes would be based solely on where a vessel worker resides. In that case, some individuals would pay lower income taxes than they would under current law, resulting in a net loss nationwide in state and local income tax revenues. Little data are available on the number of workers on vessels that operate on the navigable waters of more than one state and on where such workers reside. Consequently, CBO cannot precisely estimate those losses. Based on information from FTA, the U.S. Coast Guard's National Maritime Center, and the Bureau of Labor Statistics, however, CBO estimates that the revenues forgone by state and local governments would be small and would not exceed the threshold established in UMRA (\$55 million in 2000, adjusted annually for inflation).

On August 11, 2000, CBO prepared a cost estimate for S. 893, a similar bill ordered reported by the Senate Committee on Commerce on June 15, 2000. The estimated impacts of the two bills on the federal government and on state and local government are the same.

The CBO contacts are Victoria Heid Hall (for the state and local impact), Deborah Reis (for federal costs), and Jean Wooster (for the private-sector impact). This estimate was approved by Robert A. Sunshine, Assistant Director for Budget Analysis.