



# American Payroll Association

Government Relations • Washington, DC

March 13, 2017

Chairman Bob Goodlatte  
Members – Judiciary Committee  
U.S. House of Representatives

Re: Support for HR 1393, Mobile Workforce State Income Tax Simplification Act, As Introduced, Without Amendments

Dear Chairman Goodlatte and Members of the House Judiciary Committee:

The American Payroll Association (APA) asks for your favorable vote on HR 1393, the Mobile Workforce State Income Tax Simplification Act, as introduced, and without amendments. This bill is essential to both employers and employees, small and large, public and private, union and nonunion, nonprofit and for-profit, and all others located in any state.

APA is a nonprofit organization serving the interests of more than 20,000 payroll professionals across the United States, who are responsible for the administrative task of properly withholding and remitting state and federal taxes. Our members know first-hand about the responsibility and difficulty of withholding nonresident state taxes from employees' pay.

Specifically, APA asks for your support in passing HR 1393 for the following reasons:

- **Reducing burden through improved compliance capabilities** – Because of the extreme complexity of state tax regulations, compliance for many employers is practically impossible. A lack of adequate software systems, personnel, time, money, or other resources are some of the impediments that prevent compliance with these complex laws. Still other companies are simply unaware of the current legal framework and would be shocked to discover their own lack of compliance.

Another reason for compliance difficulties is confusion about whether a business has formed a nexus for tax purposes in a state where the business does not have a

physical presence or regularly provide services. Examples include when an employee travels to a state to offer a one-day seminar or a business sends employees to a state for a few days to assist in the recovery from a weather emergency. HR 1393 offers employers a common sense approach to determining state tax liability that is appropriate to employers, employees, and states.

- **Treating employees fairly** – Currently, if an employee performs temporary services in another state without a threshold, but with a higher tax rate than that of the state of residence, that employee suffers an irretrievable increase in tax expense. This is especially true if the employee's home state does not have an income tax. Even when states have a very similar tax structure, the employee can suffer a significant cash flow problem if the resident state does not allow a credit for the taxes paid to work states.

APA understands the legitimate financial interest of states and firmly believes that improving compliance through consistent, understandable, and manageable tax requirements for mobile employees is the best approach. The provisions in HR 1393 establishing a 30-day safe harbor from state income tax for nonresident employees is an equitable threshold that makes sense. In addition, the bill offers some exceptions, such as for professional athletes, entertainers, and qualified production employees, recognizing that the nature of their employment means entering a state for short periods of time.

APA urges you to enact this legislation to reduce the burden and cost of administering multistate taxes on workers and businesses. HR 1393 ensures fair and consistent handling of multistate taxation across the nation for the benefit of all Americans.

Sincerely,



William Dunn, CPP  
Director of Government Relations  
American Payroll Association