

111TH CONGRESS
1ST SESSION

H. R. 2600

To amend title 4 of the United States Code to limit the extent to which States may tax the compensation earned by nonresident telecommuters.

IN THE HOUSE OF REPRESENTATIVES

MAY 21, 2009

Mr. HIMES (for himself, Mr. WOLF, Mr. NYE, Mr. CONNOLLY of Virginia, Mr. MCGOVERN, Mr. SARBANES, Mr. JOHNSON of Georgia, Ms. DELAURO, Mr. LANCE, and Ms. BEAN) introduced the following bill; which was referred to the Committee on the Judiciary

A BILL

To amend title 4 of the United States Code to limit the extent to which States may tax the compensation earned by nonresident telecommuters.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Telecommuter Tax
5 Fairness Act of 2009”.

1 **SEC. 2. LIMITATION ON STATE TAXATION OF COMPENSA-**
2 **TION EARNED BY NONRESIDENT TELECOM-**
3 **MUTERS.**

4 (a) IN GENERAL.—Chapter 4 of title 4, United
5 States Code, is amended by adding at the end the fol-
6 lowing new section:

7 **“§ 127. Limitation on State taxation of compensation**
8 **earned by nonresident telecommuters**

9 “(a) IN GENERAL.—In applying its income tax laws
10 to the compensation of a nonresident individual, a State
11 may deem such nonresident individual to be present in or
12 working in such State for any period of time only if such
13 nonresident individual is physically present in such State
14 for such period and such State may not impose non-
15 resident income taxes on such compensation with respect
16 to any period of time when such nonresident individual
17 is physically present in another State.

18 “(b) DETERMINATION OF PHYSICAL PRESENCE.—
19 For purposes of determining physical presence, no State
20 may deem a nonresident individual to be present in or
21 working in such State on the grounds that—

22 “(1) such nonresident individual is present at
23 or working at home for convenience, or

24 “(2) such nonresident individual’s work at
25 home or office at home fails any convenience of the
26 employer test or any similar test.

1 “(c) DETERMINATION OF PERIODS OF TIME WITH
2 RESPECT TO WHICH COMPENSATION IS PAID.—For pur-
3 poses of determining the periods of time with respect to
4 which compensation is paid, no State may deem a period
5 of time during which a nonresident individual is physically
6 present in another State and performing certain tasks in
7 such other State to be—

8 “(1) time that is not normal work time unless
9 such individual’s employer deems such period to be
10 time that is not normal work time,

11 “(2) nonworking time unless such individual’s
12 employer deems such period to be nonworking time,
13 or

14 “(3) time with respect to which no compensa-
15 tion is paid unless such individual’s employer deems
16 such period to be time with respect to which no com-
17 pensation is paid.

18 “(d) DEFINITIONS.—As used in this section—

19 “(1) STATE.—The term ‘State’ means each of
20 the several States (or any subdivision thereof), the
21 District of Columbia, and any territory or possession
22 of the United States.

23 “(2) INCOME TAX.—The term ‘income tax’ has
24 the meaning given such term by section 110(c).

1 “(3) INCOME TAX LAWS.—The term ‘income
2 tax laws’ includes any statutes, regulations, adminis-
3 trative practices, administrative interpretations, and
4 judicial decisions.

5 “(4) NONRESIDENT INDIVIDUAL.—The term
6 ‘nonresident individual’ means an individual who is
7 not a resident of the State applying its income tax
8 laws to such individual.

9 “(5) EMPLOYEE.—The term ‘employee’ means
10 an employee as defined by the State in which the
11 nonresident individual is physically present and per-
12 forming personal services for compensation.

13 “(6) EMPLOYER.—The term ‘employer’ means
14 the person having control of the payment of an indi-
15 vidual’s compensation.

16 “(7) COMPENSATION.—The term ‘compensa-
17 tion’ means the salary, wages, or other remuneration
18 earned by an individual for personal services per-
19 formed as an employee or as an independent con-
20 tractor.

21 “(e) NO INFERENCE.—Nothing in this section shall
22 be construed as bearing on—

23 “(1) any tax laws other than income tax laws,

24 “(2) the taxation of corporations, partnerships,
25 trusts, estates, limited liability companies, or other

1 entities, organizations, or persons other than non-
2 resident individuals in their capacities as employees
3 or independent contractors,

4 “(3) the taxation of individuals in their capac-
5 ities as shareholders, partners, trust and estate
6 beneficiaries, members or managers of limited liabil-
7 ity companies, or in any similar capacities, and

8 “(4) the income taxation of dividends, interest,
9 annuities, rents, royalties, or other forms of un-
10 earned income.”.

11 (b) CLERICAL AMENDMENT.—The table of sections
12 of such chapter 4 is amended by adding at the end the
13 following new item:

“127. Limitation on State taxation of compensation earned by nonresident tele-
commuters.”.

14 (c) EFFECTIVE DATE.—The amendments made by
15 this section shall take effect on the date of the enactment
16 of this Act.

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