December 2023

Fiscal Research Center

Tax Incentive Evaluation: Georgia Other State Tax Credit

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Prepared by:

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For:

Georgia Department of Audits and Accounts

December 2023

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Executive Summary

The other state tax credit (OSTC) came into effect in 1933. O.C.G.A. 1933, §92-3111 allowed residents with businesses or investment properties in other states to deduct taxes paid to those states, contingent upon the requirement that these states levied income taxes on such earnings. In 1957, a clarification was provided on the definition of 'natural person' as anyone residing in Georgia for 183 days or more in a year and were considered residents for tax purposes. Furthermore, the same code section §92-3111 of the same code expanded to include income from employment in other state to be eligible for the tax credit. The fundamental framework of the Georgia's OSTC has remained relatively consistent since its inception.

This report was prepared under a contract with the Georgia Department of Audits and Accounts. Administrative tax data used in the report was obtained from the Georgia Department of Revenue. The report begins with background on the Georgia Other State Tax Credit (OSTC), followed by estimates of the tax expenditure and administrative costs, a review of the literature and similar tax incentives from other states, IMPLAN analysis of economic and fiscal impacts of the tax credit, and an analysis of the distribution of tax savings.

In FY 2022, the tax expenditure cost of the OSTC was estimated at $353.2 million. Approximately 102,000 Georgia income-tax filers claimed the tax credit on their 2021 tax returns, with an estimated mean and median tax credit for eligible full-year residents in 2021 of $4,938 and $860, respectively.

The literature on the potential relationship between taxation and migration does not conclusively identify the credit as a significant factor in inducing migration into the state. As a result, we model the economic and fiscal effects of taxpayers' increased disposable income from tax savings that result from the credit. These tax savings are spent by the taxpayers on goods and services in the economy, and the household spending becomes income to the sellers of those goods and services, who then use it to pay their workers or to make other purchases.

This downstream activity from the initial boost in household spending is referred to as an induced economic impact and is estimated using the IMPLAN input-output model for Georgia. IMPLAN results suggest that $353.2 million of forgone tax revenue in FY 2022 induced economic activity measuring approximately $415 million of gross output, $245 million of value added for state GDP, and $130 million of labor income for the estimated 2,333 jobs created. This added economic activity is estimated to result in approximately $13.9 million in state tax revenues and $14.3 million in local tax revenues.

However, these economic and fiscal benefits come with a cost beyond the tax expenditure—namely, the opportunity cost or economic and fiscal benefits that would arise from the use of the $353.2 million for some alternate use—which we assume for simplicity to be a similar amount of general-fund spending in proportion to recent state-budget spending allocations. This additional state spending is also modelled in IMPLAN to estimate economic activity and state and local revenue gains arising from it. Tables ES1 and ES2 below summarize these state and local fiscal effects for FY 2024–28.

Table ES1. Other State Tax Credit State Fiscal Effects

($ millions)	**FY 2024**	**FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**
Revenue gains from economic impact	$13.7	$14.1	$15.5	$16.8	$17.3
Less:					
Tax expenditure cost	($345.7)	($354.5)	($389.5)	($422.4)	($437.2)
Alternative use revenue gains	($20.5)	($21.0)	($23.1)	($25.1)	($26.0)
Net fiscal Effects	($352.5)	($361.4)	($397.2)	($430.7)	($445.8)

Table ES2. Other State Tax Credit Local Fiscal Effects

($ millions)	**FY 2024**	**FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**
Revenue gains from economic impact	$14.1	$14.5	$15.9	$17.2	$17.8
Less:					
Alternative use revenue gains	($9.4)	($9.6)	($10.6)	($11.4)	($11.8)
Net fiscal Effects	$4.7	$4.9	$5.3	$5.8	$6.0

While the potential economic impact of eliminating OSTC would be modest, there are other concerns related to equity and fairness. The credit provides a means to alleviate double taxation but also plays a role in allowing Georgians to benefit from the opportunities to work in other states without being penalized by the tax code. Reciprocity amongst states in these types of credits is another consideration as most states have a similar credit or program. If Georgia were to rescind its OSTC, other states would likely retaliate against Georgia, decreasing the work opportunities for Georgia residents. Georgia businesses may also suffer, as out-of-state workers may be less likely to come to the state knowing that wages earned there would be taxed by Georgia as well as their home state. As such, the benefit to the state of the OSTC is not only one of economic development, but also one of fairness as well as promoting commerce amongst the states.

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1. Introduction

O.C.G.A. §48-7-28 allows Georgia residents filing as individuals, fiduciaries, or estates, to claim a credit to offset their Georgia income tax liability in proportion to the amount of their income that was earned in and taxed by another state. The credit has existed in its current form since 1987. The tax credit functions as a crucial tool to mitigate the impact of double taxation, offering relief to Georgia residents by allowing them to claim a credit for taxes paid to other states.

This report was prepared under a contract with the Georgia Department of Audits and Accounts (GDAA). Administrative tax data used in the report was obtained from the Georgia Department of Revenue (DOR). The report begins with background on the Georgia Other State Tax Credit (OSTC), followed by estimates of the tax expenditure and administrative costs, a review of the literature, an IMPLAN analysis of economic and fiscal impacts of the exclusion, and an analysis of the distribution of tax savings and other public benefits of the exclusion.

2. Georgia's Other State Tax Credit Background/Overview

History

The other state tax credit came into effect in 1933. O.C.G.A. 1933, §92-3111 allowed residents with businesses or investment properties in other states to deduct taxes paid to those states, but only if those states levied an income tax on such earnings. In 1957, a clarification was provided on the definition of 'natural person' as anyone residing in Georgia for 183 days or more in a year and considered a resident for tax purpose. Furthermore, §92-3111 of the same code was expanded to include income from employment in other states to be eligible for the tax credit.

In 1962, the tax code was amended to allow an income tax credit equivalent to the amount of sales and use tax paid on machinery purchased by a taxpayer for expanded industrial production or agriculture, including new ventures. This credit had a six-year carry forward. This amendment was repealed in 1963. Apart from these changes, the fundamental framework of the Georgia's OSTC has remained relatively consistent over the years.

How the provision works

Residents can claim the lesser of either a) the amount of tax paid to the other state(s) or b) the prorated share of the resident's income earned in the other state compared to the resident's Georgia taxable income.

For example, suppose a Georgia resident earned $100,000 in taxable income with $80,000 earned in Georgia and $20,000 earned in State A. The resident paid $1,000 in income taxes to State A on the $20,000 that was earned in that state. The Georgia credit calculation would be as follows:

Table 1. Example Worksheet for Georgia's OSCT (with Example Amounts)

1	Other state(s) adjusted gross income		$20,000
2	Georgia adjusted gross income	$80,000	
3	Ratio: Line 1 divided by Line 2	25 percent	
4	Georgia standard or itemized deductions	$3,000	
5	Georgia personal exemption and credit for dependents	$2,500	
6	Total of Line 4 and Line 5	$5,500	
7	Line 6 multiplied by ratio on Line 3		$1,375
8	Income for computation of credit (Line 1 less Line 7)		$18,625
9	Tax at Georgia rates ($230 + 5.75 percent * Line 8)		$1,300.94
10	Tax shown on returns filed with other states		$1,000
11	Total tax credit (Lesser of Line 9 or Line 10)		$1,000

The tax credit ensures that taxpayers are not disproportionately rewarded or penalized based on tax disparities between different states, such as different income tax rates. Georgia residents only receive the credit for the amount of taxes they paid in the other state regardless if the tax rate is higher or lower than Georgia's. This ensures that Georgia does not subsidize taxpayers for higher income taxes they pay to other states and prevents windfalls beyond the taxes actually paid to lower-tax states.

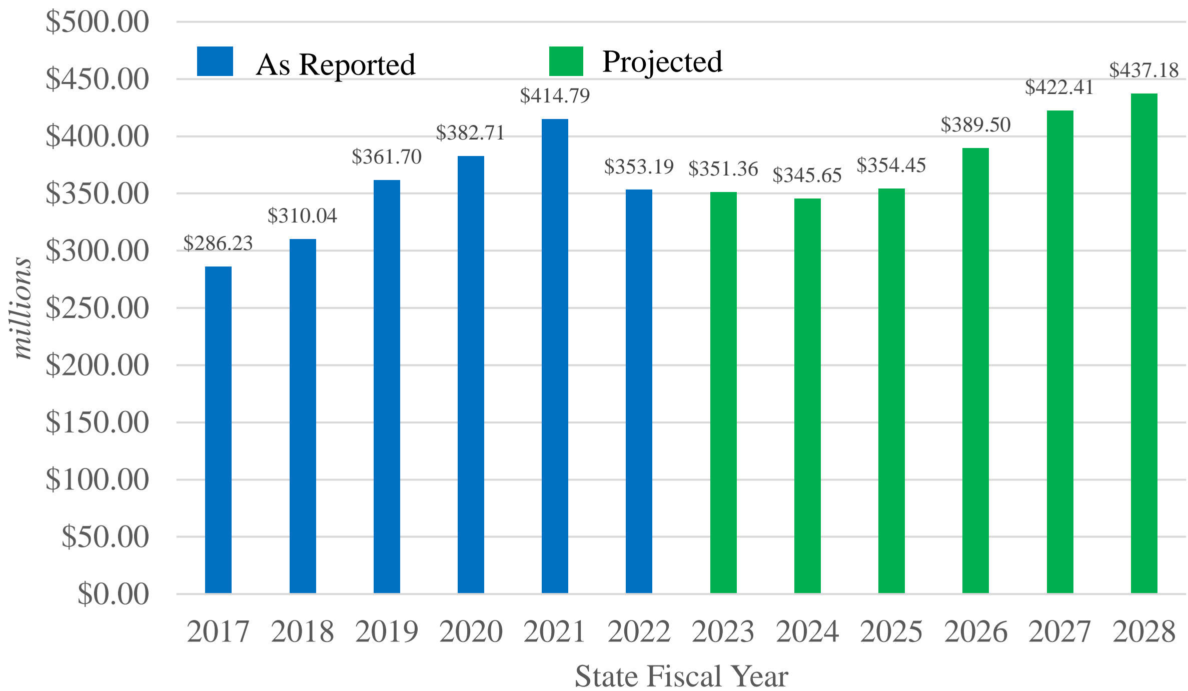
The intended beneficiaries of this credit are primarily individuals who are Georgia residents earning taxable income in other states and paying state taxes on that income. The statute does not explicitly identify the beneficiaries but considering Georgia's tax structure and the specific provisions of the credit, this inference can be drawn.

3. Tax Expenditure Estimates and Administrative Costs

Tax expenditure costs

The tax expenditure cost of the other state tax credit (OSTC) was estimated using administrative income tax data from DOR. Figure 1 below presents the other state tax credit utilization for state fiscal years (FY) 2015–21 based on tax returns filed for tax years (TY) 2014–19 and projects the cost of the OSTC through FY 2028. Note that values after FY 2022 are estimated from DOR tax return data.

Figure 1. Tax Expenditure for OSTC, FY 2017–28



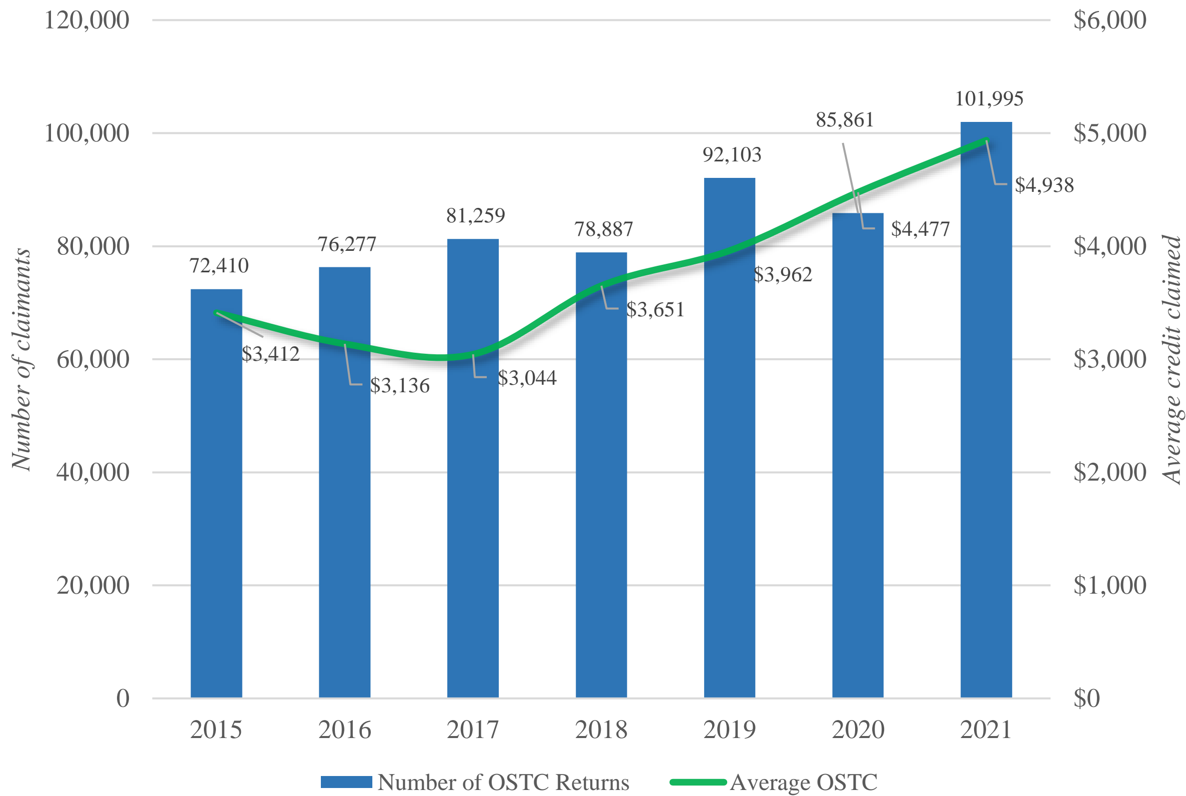
Source: DOR data and authors' calculations

The other state tax credit is limited to offsetting the taxpayer's state tax liability and any excess credit beyond the taxpayer's liability is not refundable. The utilization of OSTC in Georgia has exhibited high rates of utilization as well as growth over the past seven years. Notably, from 2015–21, the utilization rates ranged from 98.02 percent to 100 percent, with the latter being observed from 2017–21. This high utilization rate demonstrates that taxpayers in Georgia have adeptly used the credit and reduced their tax liabilities.

Distribution of benefits to consumer households

In this section, we explore the distribution of the benefit from the OSTC across taxpayers at different income levels. First, Figure 2 provides an overview of other state tax credits spanning from 2015 to 2021. Approximately 102,000 Georgia income-tax filers claimed the tax credit on their 2021 tax returns. The mean and median tax credits for eligible full-year residents in 2021 are estimated to be $4,938 and $860, respectively. During this period, these credits have demonstrated significant growth, with the total amount claimed surging from $247 million to $503 million, indicating a noteworthy compound annual growth rate (CAGR) of 12.6 percent. Moreover, the number of claimants experienced substantial expansion, boasting a CAGR of 5.88 percent. The average credit claimed increased from $3,412 in 2015 to $4,938 in 2021, reflecting a 6.36 percent CAGR. This dataset shows the consistent and substantial uptick in the utilization of these tax credits over seven years, underscoring an expanding pool of claimants and increased financial relief for Georgia residents who have earned income in other states.

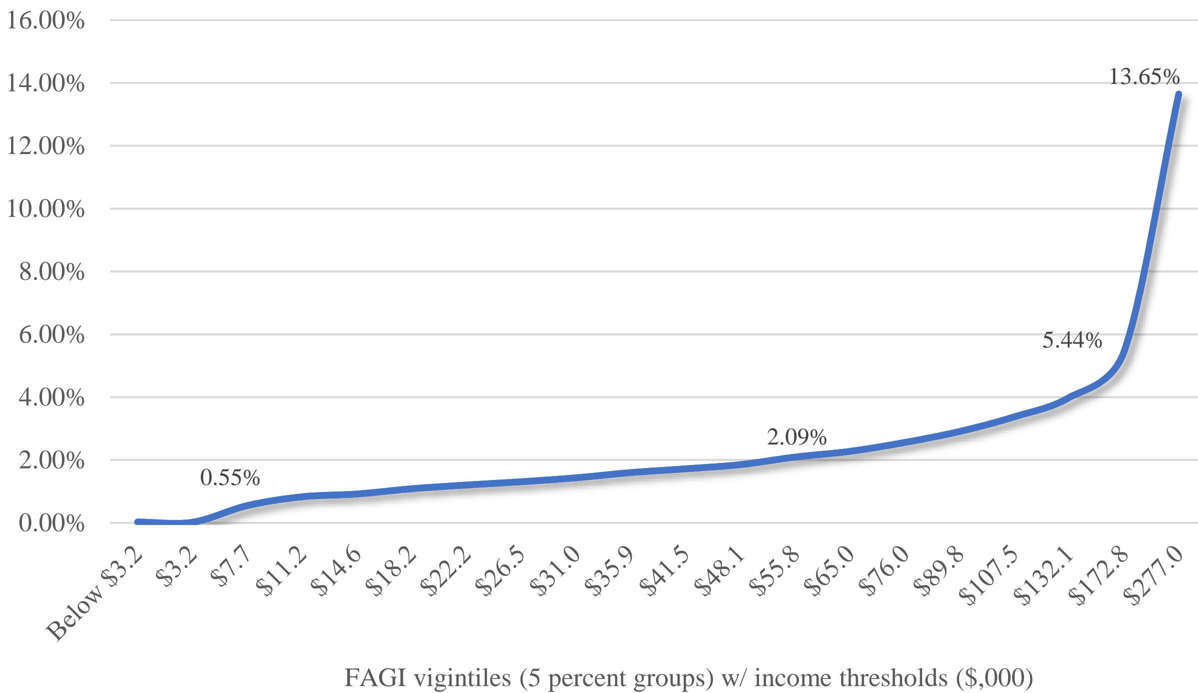
Figure 2. Number of OSTC Returns and Average OSTC, FY 2015–21



Source: DOR tax return administrative data and authors' calculations

Figure 3 further illustrates the share of TY 2021 full-year resident returns claiming the OTSC in each of the 20 vigintiles, or 5-percent groupings, of taxpayers ranked by federal adjusted gross income (FAGI). Tax returns with FAGI above about $56,000 in TY 2021, comprise 71 percent of returns that claimed the other state tax credit. The utilization of the other state tax credit is more pronounced in the higher income individuals. Individuals with income thresholds above $44,000 FAGI, show a substantial share of tax returns claiming this credit, with the highest income bracket (FAGI above $277,000) standing out at 14 percent. In contrast, the lower-income tax returns exhibit much lower utilization rates. This pattern underscores the credit's role in providing more financial relief to higher-income individuals.

Figure 3. OSTC Returns as a Share of Total Returns* by Income Level, TY 2021



* Full-year resident returns only
Source: DOR tax return administrative data

Table 2 shows the average taxable income and tax liability for the individuals who claimed other state tax credits in their 2021 tax returns. We recalculate the taxable income and tax liability following the implementation of HB 1437 and SB 56 from January 1, 2024. Individuals with FAGI below $14 thousand experience a nearly 10 percent reduction in their average tax liability. The next income group with FAGI from $14 thousand to $31 thousand see a modest decline of 1.89 percent in average tax liability. Meanwhile, the next two income groups witness a more substantial 4.59 percent and 5.35 percent decline in their average tax liability. However, higher-income individuals experience a 1 percent increase in their average tax liability.

Table 2. Average taxable income and tax liability of individuals who claimed other state tax credits in TY 2021

	TY 2021		Post-HB 1437/SB 56		
Income group	**Taxable income**	**Tax**	**Taxable income**	**Tax**	**% change in tax liability**
Below $14k	$12,041	$563	$9,230	$507	-10%
$14k to $31k	$14,292	$642	$11,480	$630	-2%
$31k to $56k	$31,578	$1,623	$28,205	$1,548	-5%
$56k to $107	$61,653	$3,340	$57,584	$3,161	-5%
Above $107	$888,471	$50,865	$936,379	$51,407	1%

Source: DOR tax return administrative data and authors' calculations

Furthermore, table 3 presents the other state tax credit as a share of tax liability for Tax year 2021 and post HB 1437 and SB 56 for each of the income groups. Notably, all income groups saw a decline in the average OSTC, yet variations emerge in the OSTC's share concerning tax liability across the income groups. In the income bracket below $14 thousand FAGI, OSTC constituted 23.50 percent of the average tax liability in TY 2021. Following the legislative changes, this share slightly decreased to 22.39 percent. The next income group ranging from $14 thousand to $31 thousand also witnesses a slight decline in OSTC's share from 41 percent to 40 percent. Conversely, the next two income groups experience a slight increase in OSTC's share, rising from 43.60 percent to 44.54 percent for individuals earning between $31 thousand and $56 thousand, and from 41.51 percent to 42.95 percent for those with income ranging from $56 thousand to $107 thousand. Finally, the highest income bracket (with FAGI above $107 thousand) experiences a slight decline in the share of OSTC.

These tables offer insights on the changes in average tax liability, the proportional significance of OSTC, and the influence of legislative changes. Despite an overall decline in average OSTC, its share over the average tax liability displays distinct patterns across income groups.

Table 3. Average Other State Tax credits

	TY 2021		**Post-HB 1437/SB 56**	
Income group	**OSTC**	**% of tax liability**	**OSTC**	**% of tax liability**
Below $14k	$132	24%	$113	22%
$14k to $31k	$265	41%	$253	40%
$31k to $56k	$708	44%	$690	45%
$56k to $107k	$1,386	42%	$1,358	43%
Above $107k	$9,071	18%	$9,041	18%

Source: DOR tax return administrative data and authors' calculations

4. Other States' Credit Programs

Basis for Other State Tax Credits

Double taxation of personal income primarily occurs in two ways. First, if a resident of one state earns income in another state, both states may seek to impose taxes—one based on the geographical source of income and the other based on the taxpayer's residence. However, the prevailing norm has been for the taxpayer's residence jurisdiction to provide an income tax credit for taxes paid to the source jurisdiction. This is generally true in both domestic and international tax regimes (Zelinksy, 2014).

The second situation leading to double taxation emerges when multiple states assert an individual's residency for tax purposes. This dual residency scenario may arise when two or more states each claim to be the individual's state of domicile. Virtually every state imposing an income tax designates an individual domiciled within the state as a resident for tax purposes. It is possible for two states to independently deem an individual as domiciled in their jurisdiction, resulting in both states levying taxes on the individual's worldwide income as each claims to be their permanent home for tax purposes (Zelinsky, 2014).

Furthermore, residence-based double taxation can materialize when one state asserts that an individual is domiciled within their borders, while another state concurrently claims the individual as a resident based on alternative criteria, known as "statutory residence." These criteria vary among states. For example, some states consider individuals as statutory residents based solely on their in-state physical presence, without requiring a permanent abode. In Michigan, a person is a resident for tax purposes if they live in the state for at least 183 days during the tax year. Georgia also employs similar requirement for defining statutory resident. Individuals living in Georgia for 183 or more days in a tax year are considered residents for tax purposes. Similarly, New Mexico determines statutory residency as in-state physical presence for 185 days or more during the tax year.

Conversely, certain states consider an individual as a resident for income tax purposes solely because they maintain an in-state home, even if their physical presence in the state during the year is limited. Iowa's regulations, for example, illustrate this approach. If an Iowa resident, who might have retired to Florida, maintains a "permanent place of abode" within Iowa but stays for less than half of the year, Iowa might still categorize them as a resident for income tax purposes. In cases like these, Iowa's residency criteria could effectively impose a tax on their entire income, even though they spend most of the year in Florida. In Mississippi, a non-domiciled individual becomes a resident for income tax purposes if they "maintain a legal or actual residence within the state."

Additionally, some states trigger resident tax status through a combination of criteria, either in-state presence or having a permanent place of abode within the state. For instance, Louisiana designates a non-domiciled individual as a statutory resident if they have a permanent abode in Louisiana or spend more than six months of the year there. Similarly, Alabama presumes statutory residence for income tax purposes if an individual either "maintains a permanent place of abode within the state or spends more than seven months in total within the state during the income year."

Other states' OSTC

Double taxation of personal income has been a subject of concern, particularly in cases where two states assert their right to tax an individual based on their residence or income source. Eight states—Illinois, Maryland, Massachusetts, Minnesota, New Jersey, Ohio, Pennsylvania, and Wisconsin—provide credits against an individual's income taxes when a second state imposes income taxes, in general, regardless of whether it's based on residence or income source. For instance, in Illinois, the OSTC is calculated as the lesser of: a) Total tax amount in IL multiplied by the proportion of taxable income attributed to the other state relative to the total taxable income in IL, or b) Overall taxable income multiplied by the applicable IL income tax rate. In Georgia, the credit is calculated as the lesser of: a) the amount of tax actually paid to other state on the same income, or b) the tax computed on the same taxable income using GA's tax rate (see Table 1 for an example worksheet).

Most states, however, limit income tax credits to cases in which double taxation results from a second state taxing based on income source. They often employ a formula that restricts credits to income taxes imposed by a second state on income "derived from" sources within that state.

Louisiana and Rhode Island have different criteria; they grant income tax credits for taxes paid to a second state only if the second state taxes the income "irrespective of the residence or domicile" of the recipient, meaning it taxes based on source rather than residence.

This limitation on tax credits, particularly concerning investment income, leads to double taxation issues for individuals considered residents by two states. Typically, these issues arise due to two rules: first, state income tax credits are generally confined to taxes levied by another state on income sourced to that state; second, investment income is deemed to be portable and follow the taxpayer into a new state for residential purposes. Consequently, many states do not grant a tax credit for taxes imposed by another state on investment income because it is not properly sourced to that state.

For instance, New York and California do not offer credits to avoid double taxation on intangible investment income, as they both attribute this income to themselves based on residence. Similarly, Georgia provides credits only when income is sourced to another state due to business, property investment, or employment. The double taxation of intangible investment income in cases where both states assert residence-based taxation is not addressed.

Reciprocity

Certain states establish reciprocity agreements for taxation, typically adjacent states. These arrangements permit individuals to work across state borders without being subject to income taxation in the non-resident state. In addition to avoiding double taxation, such agreements reduce compliance burdens for commuters by requiring them to file only in their state of residence, not in the state into which they commute.

Table A in the Appendix presents the tax residency requirement and credit for taxes paid to other states for the 50 states and the District of Columbia.

5. Literature Review – Effects of Taxation on Migration

The OSTC is focused on the taxes paid in the state where the income is generated, emphasizing the significance of the actual taxes incurred on the same income, addressing the core issue of double taxation (Martin, 1960). It ensures that taxpayers are not provided with credits exceeding the taxes actually paid on income subject to taxation in multiple states. Consequently, in cases where the calculation would yield a credit larger than the actual taxes paid in another state, the credit is limited to the lesser of the two, which is the taxes actually paid.

While no research directly studies the effect of other state tax credits on household behaviors, numerous studies exist that examine the broader context of public services and tax structures. In this section, we discuss important research regarding tax structure and state-to-state migration. Tiebout's seminal work in 1956 explores the dynamic of local governments competing to attract residents by offering various bundles of public services and corresponding tax levels, allowing individuals to "vote with their feet" and select the local jurisdiction that best aligns with their preference. This paper laid the groundwork for understanding the role of public finance and governance on household choice and mobility.

Many studies find limited evidence to support a substantial impact of individual taxes on migration patterns (e.g., Wallace, 2002; Hageman et al. 2021). This phenomenon may, to some extent, arise from individuals being compensated for their tax burdens through the provision of other amenities, which effectively diminishes the discernible impact of taxes in migration analyses. Clark and Hunter (1992) assess the relative effects of economic opportunities, amenities, and fiscal factors on migration. Their analysis shows that income and estate taxes do have some influence on net migration for specific age cohorts. Using the data of highest income earner for each family from the 1990 Current Population Survey, Annual Demographic File (CPS), Wallace (2002) also finds little effect on migration from individual income tax rate.

It is important to note that the effect of tax changes can vary between immigration and emigration. For instance, Afonso (2016) finds that the adoption of a state income tax in Connecticut led to a decline in the number of individuals moving into the state, but it had no discernible effect on those leaving the state, resulting in a net loss in migration. As a result, the outcome was a net migration loss. In particular, the findings presented in this study suggest that concerns regarding tax flight, or emigration prompted by tax considerations, might be overstated. The authors explain that the increased tax revenue might be reinvested in public services, potentially mitigating the incentive for migration based solely on tax considerations.

Furthermore, several researchers focus on specific segments of the labor market with detailed migration information. Young and Varner (2011) study the “millionaire tax” introduced in New Jersey. In 2004, the state added a new tax bracket, raising the marginal rate by 2.6 percentage points to 8.97 percent on income above $500,000. Employing distinct state tax micro-data, the study employs a difference-in-differences approach to gauge the migration response of millionaires to this tax rate hike. The findings indicate that even among the wealthiest 0.1 percent of households, there was only a minor migration response to the change in the marginal tax policy.

Lai et al. (2011) investigates the impact of tax policy on interstate migration within the United States using IRS migration data from 1992 to 2008. The findings reveal that while average marginal tax increases have a modest effect on net out-migration from a state, the cumulative losses over time could be substantial. Specifically, a 1-percentage point increase in taxes (across all brackets) could initially generate about $2.5 billion (first year) in extra revenue for New Jersey. However, this revenue gain is gradually offset by out- and in-migration effects. The research suggests that the state would experience an annual net outflow of approximately 4,200 taxpayers, representing a loss of $530 million of adjusted gross income (AGI) that would lead to an income tax revenue loss of around $29 million. On average, each lost taxpayer represents an income loss of roughly $125,000, nearly double New Jersey's median household income. Furthermore, the study estimates that the state's cumulative losses from the 2004 "millionaires' tax" amounted to about 20,000 taxpayers and $2.4 billion in income, offsetting a portion of the immediate revenue gains. While the research does not imply that tax-induced migration would outweigh the immediate revenue gains, it underscores the significance of considering long-term cumulative losses in tax policy decisions.

Moretti and Wilson (2017) examine the migratory behaviors of star scientists within the United States from 1977–2010. Their findings reveal that state taxation policies play a substantial role in

shaping the geographic choices of these star scientists and potentially other high-skilled workers. Their outcomes demonstrate a positive, and statistically significant, long-term elasticity in terms of mobility concerning personal income taxes. This explains the sensitivity of these professionals to tax-related factors when determining their geographic residence.

Additionally, Young and Varner (2011) show that the tax-induced migration is more pronounced among individuals of retirement age, those reliant on investment income rather than wages, and individuals whose work and tax obligations are entirely within the state. The latter result is further supported by Önder and Schlunk (2015). They study the migration response of elderly populations to several taxes including inheritance and property taxes, finding that elderly populations prefer to migrate to states with low inheritance taxes and high property taxes. Notably, the preference for states with higher property taxes may indicate that the elderly are drawn to areas where local amenities are integrated into property values.

The evidence from the literature is mixed on the effect that changes in tax policy have on the migration decisions of individuals. As was shown in the earlier discussion, the OSTC has the greatest impact on high-income taxpayers. While it appears that high-income individuals do respond in the long run to changes in tax policy, the near-term impacts are more ambiguous. In addition, the amount of income per taxpayer is relatively modest given the high income levels for the OSTC. Thus, for the remainder of this analysis, it is assumed that the OSTC has no impact in the relevant time period on taxpayer migration.

6. IMPLAN Economic Impact Analysis

In this section, we model the economic impact of the OSTC as only induced economic activity from the additional funds flowing into the economy, as the additional spending is from households' increased disposable income rather than firms' direct spending on inputs. Results reported here include estimates of employment, wages, value added, and total output associated with the induced economic impact. In addition, as explained further below, we use these economic impact estimates to produce estimates of tax revenue impacts at the state and local levels from this additional household income. All of the benefits of the exemption are deemed to flow to the consumer, and thus, the benefits modeled here are all deemed to flow directly from the full amount of the tax expenditure. The full IMPLAN model is discussed below to explain why only induced effects are used.

Model overview

To estimate the economic impact of the OSTC in Georgia, we use IMPLAN, a regional input-output model that is widely used for economic impact analysis. IMPLAN estimates how an initial change in spending or revenue for any industry category works its way through a regional economy, using data on input-output relationships between any industry and its suppliers and customers within or outside the given region—in this case, the State of Georgia. IMPLAN also has data on the size of each industry in the economy in terms of revenue and employment at the state and county levels. The model uses sector multipliers to estimate the impact of the initial spending by firms on suppliers of goods and services to the sectors of interest, or on labor. This analysis uses IMPLAN-model data for 2021, adjusted forward to represent average annual

revenues and wages in 2022 dollars. Below is a discussion of the relevant IMPLAN terms used in the report.

Direct effects are the changes in terms of increased firm output (revenue) that initiate the ripple effects through the economy. For purposes of this analysis, direct effects are zero.

Indirect effects are the economic activity supported by business-to-business purchases in the supply chains of firms increasing *direct* output, which again is zero for purposes of this analysis.

Induced effects are economic activity that occurs from households spending labor income earned from the direct and indirect activities. This activity results from household purchases on consumption items such as food, housing, healthcare, and entertainment. The labor income spent to generate these effects does not include taxes, savings, or compensation of nonresidents (commuters) as these leave the local economy (leakage). For purposes of this analysis, these induced effects can be thought of as the result of downstream household spending after the initial spending increase by households benefiting from the OSTC, or the multiplier effect of the initial increase in spending by eligible households.

Output is the value of production. This includes the value of all final goods and services, as well as all intermediate goods and services used to produce them. IMPLAN measures output as annual firm-level revenues or sales, assuming firms hold no inventory. Estimates of output changes resulting from the additional economic activity are then used to estimate state and local sales tax revenue.

Value added measures the contribution to state gross domestic product (GDP).

Labor income includes total compensation—wages, benefits, and payroll taxes—for both employees and self-employed individuals. Wage-gain estimates are used to estimate incremental state income tax revenue.

Employment includes full-time, part-time, and temporary jobs, including the self-employed. Job numbers do not represent full-time equivalents, so one individual may hold multiple jobs.

Economic impact induced effects

Table 4 reports the IMPLAN estimates of direct, indirect, and induced impacts for the additional household income provided by the OSTC of $353.2 million, as estimated for FY 2022. Note again that the direct and indirect impacts are zero, as the additional funds initially flow from household spending. Thus, the $353.2 million tax expenditure for FY 2022 is estimated to result in about $415.3 million of additional gross output in the economy and $244.7 in added state GDP. Real economic impacts in future years would be projected to grow from these levels with the amount of the tax expenditure, based on population and income growth of eligible taxpayers.

Table 4. Tax Exemption Economic Impact IMPLAN Results (in millions $)

Impact Type	Employment	Labor Income	Value Added	Output
Direct Effect	0	0	0	0
Indirect Effect	0	0	0	0
Induced Effect	2,333	$129.8	$244.7	$415.3
Total Effect	2,333	$129.8	$244.7	$415.3

Source: IMPLAN and authors' calculations

Alternative-use economic impacts

The induced economic impacts estimated above do not account for the opportunity costs of the forgone state revenues, i.e., the economic impacts of alternative uses of the funds currently expended through the tax exemption. SB 6 requires evaluations of tax incentives to include estimates of *net* economic and fiscal impacts, thus requiring consideration of the economic and revenue effects of alternative uses of the revenues that would be available for other purposes in the absence of the exemption.

Alternatives could include other economic incentives, spending on other policy areas across state government, or a reduction in taxes that could also result in direct, indirect, and induced economic effects. However, absent information as to how the General Assembly would otherwise choose to spend foregone revenue if not on the OSTC, we estimate the impact of using the revenue to fund an equivalent increase in state government spending in proportion to existing expenditures. That is, we allocated the foregone revenue to industry sectors as direct effects based on the sector shares of spending in the state budget. The two largest categories of spending—education (56 percent) and healthcare (23 percent)—account for about 79 percent of the state budget. See the Appendix for more detail on the shares allocated to different government services and the IMPLAN industry codes most closely corresponding to the service categories.

As shown in Table 5 below, if the state received the forgone revenue associated with the excluded out of state income and spent the money, it could be expected to generate approximately $733.3 million in gross output. This estimate includes $353.2 million in annual direct government outlays, the FY 2022 estimated tax expenditure for the exemption, plus the amounts shown for indirect and induced effects resulting from the initial, direct outlays.

Table 5. Alternative-Use Economic Activity (in $ millions)

Impact Type	Employment	Labor Income	Value Added	Output
Direct Effect	6,909	$284.5	$265.1	$353.2
Indirect Effect	539	$32.0	$52.7	$101.0
Induced Effect	1,576	$88.3	$163.9	$279.1
Total Effect	9,024	$404.8	$481.7	$733.3

Source: IMPLAN and authors' calculations

Comparisons between OSTC and alternative economic impacts should be approached with caution because OSTC provides relief from potential double taxation of income. The OSTC, as presented in table 3, constitutes a. tangible share of the tax liability across all income brackets.

Based on the literature on taxation and migration, we assume that the elimination of OSTC is unlikely to induce a substantial migratory response among taxpayers. Nonetheless, such an elimination could potentially affect the fairness of the tax system and impact economic opportunities for both Georgia residents and firms.

7. Fiscal Impacts

A summary of the fiscal impacts of the return on investment is presented in Table 6 below. Following Table 6, we provide details of the estimates from revenue effects arising from the induced economic impacts and of the opportunity cost of the tax expenditure (i.e., the revenues that could be expected from the alternate use of funds). The detailed estimates are projected forward to obtain the amounts below. Administrative costs are also discussed later in the section.

Table 6. OSTC State and Local Fiscal Effects

($ millions)	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Tax expenditure cost					
State	($345.7)	($354.5)	($389.5)	($422.4)	($437.2)
Revenue gains from economic impact					
State	$13.7	$14.1	$15.5	$16.8	$17.3
Local	$14.1	$14.5	$15.9	$17.2	$17.8
Alternative use reduction					
State	($20.5)	($21.0)	($23.1)	($25.1)	($26.0)
Local	($9.4)	($9.6)	($10.6)	($11.4)	($11.8)
Net fiscal effects					
State	($352.5)	($361.4)	($397.2)	($430.7)	($445.8)
Local	$4.7	$4.9	$5.3	$5.8	$6.0
Total net fiscal effects	($347.7)	($356.6)	($391.8)	($424.9)	($439.8)

Revenue effects of induced economic impact

Table 5 shows estimates for state and local tax revenues attributable to economic activity associated with the OSTC for the FY 2022 base year. State income tax is estimated using employee compensation generated by IMPLAN. The labor income estimated in the broader consumer-facing economy is comprised mostly of service workers, where the average labor income is approximately $45,000 per job. Based on Georgia DOR tax data, specifically net tax liability relative to adjusted gross income (AGI) for taxpayers with AGI of $45,000–$85,000 in TY 2020, we assume an average effective tax rate (AETR) under current law of 3.84 percent on the labor income estimated above. Resulting income tax revenues are estimated at about $13.36 million for FY 2022.

IMPLAN reports sales tax and property tax estimates. However, the model relies on levels of economic activity rather than sales or property tax rates and tax bases. Thus, they are not our preferred estimates. To estimate sales tax revenues, we use the model's estimated incremental output for the various retail sectors and adjust for the taxable portion of sector sales to arrive at

estimates of taxable sales. For retail sectors, IMPLAN reports as output only the retail gross margin, not the total sales at retail, so these estimates are grossed up using average gross margin rates from IMPLAN for each retail sector to arrive at estimated sales to which the tax would be applied. The state sales tax is calculated using the state sales tax rate of 4 percent and the local sales tax is calculated using an average local sales tax rate of 3.39 percent, the population-weighted average as of July 2024, according to the Tax Foundation. The state and local sales tax estimates for the base year are also shown in Table 4.

To estimate the additional property tax due to the economic activity associated with the tax exemption, we calculate the ratio of IMPLAN's estimate of sales tax to our preferred estimate of sales tax above and apply this to IMPLAN's estimate of property tax revenue. This estimate assumes that the economic activity that generates IMPLAN's sales tax estimates is like that which generates the property tax—thus, this estimate should be treated cautiously.

Finally, about 81 percent of Georgia state tax collections are from personal income and state sales taxes. Georgia collects a host of other taxes that make up the remaining 19 percent, on average. Two taxes make up about half of the 19 percent: corporate income tax and title ad valorem tax (TAVT) on motor vehicles. Table 7 shows the base year estimated revenue from these other taxes, assuming a proportional effect such that the 19 percent of total tax revenues holds for the economic activity resulting from the OSTC.

Table 7. State and Local Tax Revenues from OSTC Induced Effects, FY 2022 (in $ millions)

	State Tax	Local Tax
GA income tax estimate	$4.28	$0.00
Sales tax estimates	$5.17	$4.98
Property tax estimates	$0.00	$9.36
All other taxes	$4.48	$0.00
Total state and local tax estimates	**$13.94**	**$14.34**

Alternative-use annual state and local tax revenue

New tax revenues resulting from the alternate use case are estimated in the OSTC in the earlier section and are shown in Table 8.

Table 8. Alternative-Use State and Local Tax Revenue, FY 2022 (in $ millions)

	State Tax	Local Tax
GA income tax estimate	$13.36	$0.00
Sales tax estimates	$3.44	$3.30
Property tax estimates	$0.00	$6.22
GA all other taxes	$4.06	$0.00
Total state and local tax estimates	**$20.86**	**$9.52**

Administrative costs

The Georgia DOR is responsible for administering the OSTC claimed on personal income tax returns, and they reported negligible administrative costs to administer this exclusion. Taxpayers report OSTC amounts for themselves and, if a joint return, their spouse, along with their respective dates of birth on Schedule 1 of their tax return—the same form used for a variety of gross income additions and subtractions—so there is no additional administrative or processing cost associated with any specific adjustment reported. Additional costs could be associated with auditing this specific exclusion.

8. Conclusion

In light of the economic and fiscal costs and benefits of the Georgia OSTC discussed above, it is important to note that the OSTC is a tool to provide tax relief from potential double taxation on the same income source. The credit program costs the state an estimated $353 million in income tax revenues in FY 2022 and is projected to rise to $437 million by FY 2028. Approximately 102,000 Georgia income-tax filers claimed the tax credit on their 2021 tax returns, averaging $5,000 per return.

The distribution of tax filers who claimed OSTC is heavily towards higher-income taxpayers. Returns in the top two quintiles—those above about $56,000 of FAGI in TY 2021—comprise 71 percent of returns that claimed the OSTC. Among the tax filers who claimed the OSTC, the median FAGI was $106,475 in 2021, compared to $40,510 to all filers.

The credit is estimated to have an induced effect in the economy resulting in creation of 2,333 jobs, $130 million in labor income, $245 million value added in state GDP, and $415 million in gross output per year. Furthermore, it is expected to generate $13.9 million and $14.3 million in annual state and local government revenues, respectively.

As shown in the earlier sections, the alternative use of the $353.2 million OSTC generates more jobs, output, and taxes. Thus, if the credit were repealed, all would increase:

- Employment by an estimated 6,691 (= 9,024 – 2,333),
- Output of by an estimated $318.0 million (= $733.3 million - $415.3million), and
- State tax revenue by an estimated $6.92 million (20.86 – 13.94).

While the potential economic impact of eliminating OSTC would be modest, there are other concerns related to equity and fairness. The credit provides a means to alleviate double taxation issues but also plays an important role in allowing Georgians to benefit from the opportunities to work in other states without being penalized by the tax code. Reciprocity amongst states in these types of credits is another important consideration, as discussed above, in that almost all states have a similar credit or program. If Georgia were to rescind its OSTC, other states would likely retaliate against Georgia, decreasing the work opportunities for Georgia residents. Georgia businesses may also suffer, as out-of-state workers may be less likely to come to the state knowing that wages earned there would be taxed by Georgia as well as their home state. As such, the benefit to the state of the OSTC is not only one of economic development, but also one of fairness and to promote commerce amongst the states.

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10. Appendix

Table A. Other State Tax Credit for 50 States and District of Columbia

State	Residency requirement	Credit for Taxes Paid to Another State or Territory
Alabama	Individuals who are domiciled in Alabama regardless of whether or not they had a physical presence there during the tax year. Individuals who are NOT domiciled within Alabama who maintain permanent place of abode within Alabama, or who spend more than a total of seven months of the taxable year within Alabama shall be presumed to be residents.	Yes. Lesser of the amount of tax actually paid to another state on the same income, or the tax computed on the same taxable income in the other state using Alabama tax rates.
Alaska	No income tax.	
Arizona	Individuals who are domiciled in Arizona even if the person is outside Arizona for a temporary or transitory purpose. Individuals who spend more than nine months of the taxable year within Arizona are presumed to be residents.	The credit shall not exceed the proportion of the tax payable under this chapter as the income subject to tax in the other state or country and also taxable under this title bears to the taxpayer's entire income on which the tax is imposed.
Arkansas	An individual who lived in Arkansas all year or is domiciled in Arkansas. Any person who maintains a permanent place of abode within Arkansas and spends in the aggregate more than six months of the year within Arkansas.	This credit cannot exceed the Arkansas income tax on the same income and cannot exceed the total tax you owe Arkansas.
California	An individual who is in California for other than temporary or transitory purposes, or domiciled in California but lived outside California for temporary or transitory purposes.	The tax credit is limited to the proportion of the total tax payable in California, equivalent to the income subject to tax in the other state and also taxable in California.

Colorado	An individual who is domiciled in Colorado or is a “statutory resident,” both as determined by the Department of Revenue. The former involves criteria including Colorado voter registration, Colorado vehicle registration, Colorado driver’s license, school registration, property ownership, and residence of spouse and children. The latter is someone who maintains a permanent home in Colorado and spends more than six months in the state during the year.	The taxpayer's credit is limited to the Colorado income tax owed on the portion of their federal taxable income derived from the other state. The limit is calculated by multiplying the gross Colorado tax for the tax year by a fraction representing the income derived from the other state divided by the taxpayer's entire modified Colorado adjusted gross income.
Connecticut	An individual is a resident of Connecticut if the state was the individual’s domicile (permanent legal residence) for the entire year, or the individual maintained a permanent “place of abode” in Connecticut during the entire tax year and spent a total of more than 183 days in the state during the year.	The credit allowed will be the lesser of the tax paid to the other state or the tax which Connecticut imposes on the resident's out-of-state wages.
Delaware	Individuals who are domiciled in Delaware for any part of the tax year or who maintain a “place of abode” in Delaware and spend more than 183 days in the state during the year.	The credit allowable under this section, with respect to the income tax imposed upon the taxpayer for the taxable year by each other taxing jurisdiction, shall not exceed the amount computed by multiplying the tax otherwise due under this chapter by a fraction, the numerator of which is the amount of the taxpayer's taxable income derived from sources in the other taxing jurisdiction and the denominator of which is the entire taxable income.
District of Columbia	Individuals who are domiciled in the District of Columbia for any part of the year or, if domiciled elsewhere, maintain a “place of abode” in the District of Columbia for 183 days or more during the	

	year, qualifying them as a "statutory resident."	
Florida	No income tax.	
Georgia	Residents are individuals who have lived in Georgia for the entire year. Or, Individuals living in Georgia for 183 days in the last year.	Credit is the lesser of tax paid to other states and tax payable in GA in GA adjusted gross income.
Hawaii	Residents are individuals who are domiciled in Hawaii even if the individual is outside Hawaii for a temporary or transitory purpose. Individuals not domiciled in Hawaii who spend more than 200 days in the tax year within Hawaii are presumed to be residents.	Credit is the lesser of tax paid to other states and tax payable in Hawaii in Hawaii Adjusted gross income.
Idaho	Residents are individuals who consider themselves to be an Idaho resident even if the individual currently lives outside Idaho but intends to return. A resident is also an individual who maintains a home in Idaho and spends more than 270 days in Idaho during the year.	The credit allowed may not exceed the amount of tax actually paid to the other state. The credit may not exceed the proportion of the tax otherwise due to Idaho that the adjusted gross income of the individual derived from sources in the other state as modified by Chapter 30, Title 63, Idaho Code, bears to total adjusted gross income for the individual so modified. (3-31-22)
Illinois	Individuals domiciled in Illinois for the entire tax year are residents. Temporary absences may include duty in the armed forces, residence in a foreign country, or out-of-state residence as a student or during the winter or summer. A person absent from Illinois for one year or more is presumed to be a nonresident.	The tax credit is determined as the lesser of two limitations: the proportion of taxable income attributed to the other state relative to the total taxable income in Illinois, multiplied by the total tax amount in Illinois; and tax calculated by multiplying the overall taxable income by the applicable Illinois income tax rate.

Indiana	Individuals are considered residents of Indiana if they maintain their legal residence in Indiana from Jan. 1 to Dec. 31 of the tax year. You do not have to be physically present in Indiana the entire year to be considered a full-year resident. Residents who leave Indiana for temporary stays, including military personnel, are considered residents during their absence. Retired individuals who spend winter months in another state may still be full-year residents if they maintain their legal residence in Indiana and intend to return to Indiana during part of the taxable year, retain an Indiana driver's license, retain Indiana voting rights, or claim a homestead exemption on their Indiana home for property tax purposes.	The credit is equal to the least of the following: 1) The amount of income tax actually paid to the other state on income from that jurisdiction; 2) An amount equal to the Indian income tax rate multiplied by the adjusted gross income taxed by both Indiana and the jurisdiction; or 3) The amount of Indiana adjusted gross income tax due to Indiana for the tax year.
Iowa	For Iowa individual income tax purposes, an individual is a "resident" if: (1) the individual maintains a permanent place of abode within the state, or (2) the individual is domiciled in the state.	The Limitation on the out-of-state tax credit for minimum tax is that the credit shall not exceed the Iowa minimum tax that would have been computed on the same preference items which were taxed by the other state or foreign country. The Limitation may be determined according to the following formula: The total of preference items earned outside of Iowa and taxed by another state or foreign country shall be divided by the total of preference items of the resident taxpayer This quotient, multiplied by the state minimum tax on the total of preference items as if entirely earned in Iowa, shall be the maximum credit against the Iowa minimum tax. However, if the minimum tax imposed by the other state or foreign country is less than the

		minimum tax computed under the Limitation formula, the out-of-state credit for minimum tax will not exceed the minimum tax imposed by the other state or foreign country.
Kansas	A Kansas resident for income tax purposes is anyone who lives in Kansas, regardless of where they are employed. An individual who is away from Kansas for a period of time and has intentions of returning to Kansas is a resident.	Such credit shall not be greater in proportion to the tax computed under this act than the Kansas adjusted gross income for such year derived in another state while such taxpayer is a resident of this state is to the total Kansas adjusted gross income of the taxpayer.
Kentucky	A resident is an individual who is domiciled in Kentucky, or an individual who is not domiciled in the state but maintains a "place of abode" in the state and spends in the aggregate more than 183 days of the taxable year in the state (per statute definition 141.010).	The credit is limited to the amount of Kentucky tax savings had the income reported to the other state been omitted, or the amount of tax paid to the other state, whichever is less.
Louisiana	Individuals who are domiciled, reside, or have a permanent residence in Louisiana and lived in the state for at least six months of the year.	The credit shall be limited to the amount of LA income tax that would have been imposed if the income earned in the other state had been earned in LA. The amount of the credit shall not exceed the ratio which shall be determined by multiplying the taxpayer's LA income tax liability before consideration of any credit described in this Section by a fraction, the numerator of which is the taxpayer's Louisiana tax table income attributable to other states to which net income taxes were paid by a resident individual, and the denominator of which is total Louisiana tax table income.

Maine	Maine was the taxpayer's domicile for the entire year, or the taxpayer maintained a permanent "place of abode" in Maine for the entire year and spent a total of more than 183 days in Maine.	The credit is limited the lesser amount of Maine tax on income also taxed by other jurisdiction and income taxes paid to other state on income earned in that state.
Maryland	Individuals who were domiciled in Maryland for the entire year or had a permanent home outside the state but maintained a "place of abode" in Maryland for more than 183 days of the tax year.	The credit for taxes paid to another state and/or locality is the smaller of the tax actually paid or the reduction in Maryland tax resulting from the exclusion of income in the other state and/or locality.
Massachusetts	An individual domiciled in Massachusetts or who maintained a permanent "place of abode" in the state and spent more than 183 days in Massachusetts during the year.	The total credit calculated on the Form 1 or Form 1-NR/PY worksheet (for eligible part-year residents) is the smaller of: The amount of taxes due to other jurisdictions (net of certain adjustments), or The portion of your Massachusetts tax due on your gross income that is taxed in any other such jurisdiction
Michigan	If an individual lives in this state at least 183 days during the tax year or more than 1/2 the days during a taxable year of less than 12 months he shall be deemed a resident individual domiciled in this state.	The credit cannot exceed the smaller of: - the amount of tax imposed by another government; or - the amount of Michigan tax on salaries, wages, and other personal compensation earned in another state.
Minnesota	Taxpayers who consider Minnesota their home for a permanent or indefinite period of time are taxed as residents. A taxpayer can be a resident of another state and be taxed as a resident by Minnesota if both of the following are true: The taxpayer was in Minnesota for 183 days or more during the tax year, and either the taxpayer or their spouse owned or rented a house, condominium, apartment, or other dwelling with cooking and bathing	The credit is determined by multiplying the tax payable under this chapter by the ratio derived by dividing the income subject to tax in the other state that is also subject to tax in Minnesota while a resident of Minnesota by the taxpayer's federal adjusted gross income

	facilities in Minnesota, and the dwelling could be lived in year-round. If both conditions apply, the taxpayer is considered a Minnesota resident for the length of time the second condition applies. Depending on the length of time, the taxpayer will be considered a full-year resident or a part-year resident.	
Mississippi	Residents are individuals who maintain a "place of abode" in Mississippi, or who exercise the rights of citizenship in Mississippi by meeting the requirements as a voter, or who enjoy the benefits of homestead exemption. A legal resident remains a resident even if temporarily absent from the state. An individual remains a legal resident of Mississippi until citizenship rights are relinquished and a new legal residence is established.	The tax credit is the smaller of either the amount of Mississippi use tax due or the total amount of tax properly paid in another state.
Missouri	A resident is an individual who either maintained a domicile in Missouri or had permanent living quarters in Missouri and spent more than 183 days of the tax year in Missouri.	The tax credit is smaller of the income tax imposed by another state or gross tax multiplied by the percentage of income tax in other state.
Montana	Residents are individuals who are domiciled in Montana. Individuals who maintain a permanent home in Montana, even if temporarily absent, and who have not established a residence elsewhere, are also residents. An individual who establishes Montana residency for one purpose (such as a hunting or fishing license) is considered a resident for income tax purposes.	The credit is equal to a portion of the tax paid to the other state or country to the extent of the amount of Montana tax that would be paid on the income.

Nebraska	A resident is an individual whose domicile is in Nebraska, or an individual who is physically present in Nebraska and maintains a permanent "place of abode" within Nebraska for at least 183 days during the tax year, even if domiciled in another state. For this purpose, any part of a day spent in Nebraska is considered a day.	The credit provided under sections 77-2714 to 77-27,135 shall not exceed the proportion of the income tax otherwise due under such sections that the amount of the taxpayer's adjusted gross income or total income derived from sources in the other taxing jurisdiction bears to federal adjusted gross income or total federal income.
Nevada	No income tax.	
New Hampshire	There is no state tax on earned income, but New Hampshire does levy a 5 percent tax on income from interest and dividends. A resident is an individual who inhabited or resided within the state for the entire taxable year. Temporary absences do not affect residency status.	
New Jersey	Individuals for whom New Jersey was their domicile (permanent legal residence) for the entire year, or New Jersey was not their domicile, but they maintained a permanent home in the state for the entire year and spent more than 183 days in the state.	The credit is the lesser of taxes paid to other jurisdiction and the amount of income tax New Jersey would have imposed if the income you earned in the other jurisdiction had been earned in New Jersey.
New Mexico	An individual is a New Mexico resident if their domicile is in New Mexico for the entire year, or if they were physically present in New Mexico for a total of 185 days or more during the tax year, regardless of their domicile. Only full, 24-hour days count toward the total, not partial days.	The credit may not be more than: - The New Mexico tax liability due on your PIT-1 - The tax you paid to the other state - The amount of NM income tax liability calculated on the part of income taxed in both states.
New York	A resident is an individual who is either (a) domiciled in New York State or (b) whose domicile is not New York State, but they maintained a permanent "place of abode" in New York State for more than 10 months of the year and spent 184 days or more (a part of a	This credit is allowable only for the portion of the tax that applies to income sourced to and taxed by the other taxing authority (state, a local government within another state, the District of Columbia, or a Canadian

	day is a day for this purpose) in New York State during the taxable year. There are exceptions to these rules, however. See "Nonresidents."	province) while you were a New York State resident.
North Carolina	A resident is an individual who was domiciled in North Carolina at any time during the year or who resided in North Carolina for other than a temporary or transitory purpose. In the absence of convincing proof to the contrary, an individual who is present within North Carolina for more than 183 days during the taxable year is presumed to be a resident. Additionally, the absence of an individual from the state for more than 183 days raises no presumption that the individual is not a resident.	The credit allowable is the smaller of either the net tax paid to the other state or country on income also taxed by North Carolina or the product obtained by multiplying the North Carolina tax computed before the credit by a fraction in which the numerator is the part of the North Carolina income, as adjusted, which is taxed in the other state or country and the denominator is the total income as adjusted, received while a resident of North Carolina. If credits are claimed for taxes paid to more than one state or country, a separate computation must be made for each state or country and the separate credits combined to determine the total credit.
North Dakota	A resident is an individual who is domiciled in North Dakota. Additionally, an individual who might otherwise be considered a nonresident must file a resident tax return if they meet the statutory seven-month rule, as follows: Maintains a permanent "place of abode" in North Dakota; spends more than 210 days in North Dakota during the year; is not serving in the U.S. Armed Forces; and is not a full-year resident of Minnesota or Montana.	The credit is only allowed for the payment of income tax that the individual owes to another state and any of its local jurisdictions, as calculated and reported on the income tax return filed with the other state and/or local jurisdiction.

Ohio	You are an Ohio resident for income tax purposes if you are domiciled in Ohio. Thus, under Ohio law, the terms “domiciled” and “resident” mean the same thing. Generally, any individual with an abode in Ohio is presumed to be a resident. The abode can be either owned or rented. Temporary absence from your Ohio abode, no matter how long, does not change your residency status. Thus, if you live in Ohio, the presumption is that you are an Ohio resident.	A resident taxpayer is allowed a "resident" credit for the lesser of income subjected to tax in another state, or the amount of tax paid to another state on that income. Inf the income is from a state that imposes no tax, a resident will get no credit.
Oklahoma	An Oklahoma resident is a person domiciled in Oklahoma for the entire tax year.	The credit is limited to the lesser amount of income tax paid to other state or a credit limit calculated as income taxed by both the other state and also Oklahoma divided by OK adjusted gross income and multiplied by OK Income tax.
Oregon	Residents are individuals who are domiciled in Oregon for any part of the tax year or who maintain a “place of abode” in Oregon and spend more than 200 days in Oregon during the year. See “Nonresident” for one exception to this policy.	The credit is the lessor of: a) the Oregon tax based on mutually taxed income, calculated as - (Mutually taxed income divided by Modified AGI) multiplied by Oregon net tax. B) The tax actually paid to the other state.

Pennsylvania	Residents are individuals who are domiciled in Pennsylvania or maintain a “place of abode” in Pennsylvania and spend more than 181 days in the state during the year. See “Nonresident” for one exception to this policy.	The amount of the allowable credit is the lower of: a) The actual amount of tax paid to the other state for the same taxable year on income subject to Pennsylvania income tax and source-able to the other state using Pennsylvania sourcing rules; or b) The tax paid to the other state on income sourced to the other state using PA income sourcing rules, but no greater than the amount of tax paid to PA on the same income. This is determined by taking the product of the Pennsylvania personal income tax rate for the tax year in which the credit is being claimed multiplied by the amount of income subject to Pennsylvania income tax and source-able to the other state using Pennsylvania sourcing rules.
Rhode Island	Residents are individuals who are domiciled in Rhode Island for any part of the tax year or who maintain a permanent “place of abode” in the state and spend more than 183 days in Rhode Island during the year.	The credit shall not exceed the proportion of the taxpayer's Rhode Island personal income tax that the taxpayer's Rhode Island income derived from the other taxing states bears to his or her entire Rhode Island income for the same taxable year.
South Carolina	Residents are individuals who maintain South Carolina as their permanent home, for whom South Carolina is the center of their financial, social, and family life, and for whom, when they are away, South Carolina is the place to which they intend to return.	Credit is the lesser amount of: a) net tax due the other state on income b) (Portion of income taxed by other state divided by SC gross income) multiplied by SC tax
South Dakota	No income tax.	
Tennessee	No income tax.	
Texas	No income tax.	

Utah	A Utah resident is a person who meets one or more of the following criteria: is domiciled in Utah for the entire year, even if temporarily outside of Utah for an extended period of time; is domiciled in Utah for any period of time during the tax year, but only for the duration of that period; or even though domiciled outside of Utah, maintains a "place of abode" in Utah and spends 183 or more days of the tax year in Utah. For Utah's lengthy complete definition of "domiciled," go to 2020 Utah TC-40 Instructions Page 3.	The credit is limited to the lesser amount of income tax paid to other state or a credit limit calculated as income taxed by both the other state and also Utah divided by Federal adjusted gross income and multiplied by Utah Income tax.
Vermont	A taxpayer is a resident of Vermont if they are domiciled in the state or, if not domiciled there, maintains a permanent home in Vermont, and is present in the state for more than 183 days of the taxable year. For a complete definition of how Vermont defines domicile see Vermont Reg. 1.5811(11)(A)(i).	The credit is lesser of the amount of income tax paid to the other state or Canadian province, or a credit limit calculated as income taxed by both the other state and also Vermont divided by the adjusted gross income and multiplied by Vermont income tax.
Virginia	A person who lives in Virginia, who maintains a "place of abode" there for more than 183 days during the year, or who is a legal (domiciliary) resident of the Commonwealth, is considered a Virginia resident for income tax purposes. A resident files Form 760.	The amount of this tax credit is limited to the lesser of: (i) the tax actually paid to another state on non-Virginia source income; or (ii) the amount of tax actually paid to another state which is equivalent to the proportion of income taxable in such state to Virginia taxable income (computed prior to the credit).
Washington	No income tax.	
West Virginia	A resident is an individual who spends more than 30 days in West Virginia with the intent of West Virginia becoming their permanent residence or maintains a physical presence in West Virginia for more than 183 days of the taxable year, even though they may also be considered a resident of another state.	The credit allowed shall not exceed the amount of tax actually payable to the other jurisdiction on income also subject to West Virginia tax. The credit shall not exceed the percentage of the West Virginia personal income tax determined by dividing the portion of the taxpayer's West Virginia income

		subject to taxation in such other jurisdiction by the total amount of the taxpayer's West Virginia income.
Wisconsin	A full-year resident is an individual who was domiciled in Wisconsin for the entire year, whether or not they are physically present in Wisconsin or living outside of the state.	The credit is limited to the lesser of the following: - Wisconsin net tax liability - The amount of net tax paid to the other state on income that is taxable to WI. - The amount of WI net tax paid on the income subject to tax in the other state.
Wyoming	No income tax.	