

HB 421 -- INCOME TAX

SPONSOR: Mayhew

Beginning January 1, 2026, this bill creates a tax exemption for full-time and part-time employees of the State for wages and salaries that do not exceed 600% of the federal poverty guidelines for an individual. The calculations must not include income from sources other than state employment or from persons in the state employee's family or household.

Any portion of a state employee's wages or salary derived from state employment that exceeds the federal poverty guidelines will be subject to tax on the remaining portion of such wages or salary.

The following types of state employees will not be granted this tax exemption:

- (1) Any person elected or appointed to a state office;
- (2) Any contractor, independent contractor, or worker submitted on a federal 1099 form;
- (3) Any temporary employee; or
- (4) Any person whose payment is contingent on the commission or performance of work on a specific, one-time basis.

This bill is the same as HB 2073 (2024) and similar to HB 1396 (2023).