



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

October 25, 2016

H.R. 5428 **Military Residency Choice Act**

*As ordered reported by the House Committee on Veterans' Affairs
on September 21, 2016*

Military personnel can retain their residences or domiciles for purposes of state and local taxation and voter registration when they leave a state if that move, and any subsequent moves, are made in compliance with military orders. Under the Military Spouses Residency Relief Act, spouses of service members can retain their states of residency if they move and reside with the service member; they cannot use the service members' states of residency for taxation or voting purposes unless they can independently establish entitlement according to state laws. H.R. 5428 would allow spouses of service members to claim the same state of residence as the service member for those purposes, regardless of whether the spouse had ever resided in that state.

CBO estimates that enacting H.R. 5428 would have no effect on the federal budget. Because enacting the legislation would not affect direct spending or revenues, pay-as-you-go procedures do not apply.

CBO estimates that enacting H.R. 5428 would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2027.

H.R. 5428 contains an intergovernmental mandate as defined in the Unfunded Mandates Reform Act (UMRA). CBO considers the residency benefit conferred on military spouses under the Military Spouses Residency Relief Act to be a preemption of taxing authority of state and local governments. H.R. 5428 would marginally expand this preemption by allowing the spouses of service members to elect the residency of a service member that is not the residence in which the couple was married. CBO expects that some military spouses would elect new states of residency if income tax rates in those states are lower. Although the effect on revenue collections by individual state and local governments would vary, depending on the number and income of these individuals and where they reside or are legal residents, CBO estimates the net effect to be below the annual threshold established in UMRA (\$77 million in 2016, adjusted annually for inflation).

CBO has determined that section 3 of H.R 5428, which would allow spouses of military personnel to register to vote in the same state as the service member, is excluded from review for mandates under UMRA because it would enforce the constitutional rights of individuals. Therefore, as specified in UMRA, CBO has not reviewed the provisions of section 3 for intergovernmental or private-sector mandates. Other provisions of the bill contain no private-sector mandates as defined in UMRA.

The CBO staff contacts for this estimate are David Newman (for federal costs) and Jon Sperl (for private-sector mandates). The estimate was approved by H. Samuel Papenfuss, Deputy Assistant Director for Budget Analysis.