

**SECTION 205 [NARROW OPTION].
BUSINESS EXPENSE DEDUCTION FOR COMPENSATION LIMITED TO
AUTHORIZED WORKERS. ¹**

IRLI Comment: Only applies to wages and compensation paid for performance of personal or physical services in state. A grandfather clause excludes workers employed before the effective date of the Act.

(A) As used in this section, the term:

(1) ‘Authorized worker’ means any individual who is not an unauthorized alien worker as defined in Section 2(A)((2) of this Act.

(2) ‘Labor services’ means the physical or personal performance of services in this state pursuant to an employment or an independent contractor relationship.

(B) On or after [#Month#], 2008, no wages or remuneration for labor services to an individual of \$600.00 or more per annum may be claimed and allowed as a deductible business expense for state income tax purposes by a taxpayer unless such individual is an authorized worker. The provisions of this subsection shall apply whether or not an Internal Revenue Service Form 1099 is issued in conjunction with the wages or remuneration.

(C) This section shall not apply to any taxpayer business domiciled in this state which is exempt from compliance with federal employment verification procedures under federal law which makes the employment of unauthorized aliens unlawful.

(D) This section shall not apply to any individual employed by the taxpayer as of January 1, 2008.

(E) This section shall not apply to any taxpayer where the individual being paid is not directly compensated or employed by said taxpayer.

(F) This section shall not apply to wages or remuneration paid for labor services to any individual who holds and presents to the taxpayer an affidavit executed under penalty of perjury stating (i) that the individual is a citizen or national of the United States, or (ii) that the individual is an alien lawfully present in the United States in an immigration status permitting the alien to engage in labor services, and providing the alien’s full legal name, social security number, and alien number issued by the federal government.

¹ Source: AL, IRLI.

(G) The [#commissioner#] is authorized to prescribe forms and promulgate rules and regulations deemed necessary in order to administer and effectuate this section."