



The One Big Beautiful Bill Should Include Two Important Interstate Commerce Reforms

BY: ANDREW WILFORD

JUNE 12, 2025

Director, Interstate Commerce Initiative

Key Takeaways

- Congress should consider using the reconciliation package not only to address federal tax priorities, but also to implement two simple but important fixes to help taxpayers who engage in interstate commerce.
- The Mobile Workforce State Tax Simplification Act would protect taxpayers working in multiple states from nuisance tax compliance obligations with a common-sense, 30-day standard before a tax return must be filed.
- The Interstate Commerce Simplification Act would clarify an existing law to prevent aggressive states like New York and California from requiring business income taxes from out-of-state businesses that should be protected by federal law.

Two bills that have already been introduced this Congress would provide badly-needed relief for taxpayers facing unnecessary and overwhelming tax compliance obligations when working and doing business in multiple states. They should be under consideration for inclusion in the reconciliation package.

For obvious reasons, most of the focus on the reconciliation package has been on changes that impact tax obligations at the federal level. But the Constitution also vests with Congress a responsibility for regulating interstate commerce.

The Mobile Workforce State Tax Simplification Act

The Mobile Workforce State Tax Simplification Act, introduced by Senators John Thune (R-SD) and Catherine Cortez Masto (D-NV), would provide relief from sporadically-enforced laws requiring taxpayers to file state tax returns when they work in a state for brief periods. In [a majority of states](#), nonresident taxpayers are legally obligated to file an income tax return from the very first day they earn income in a state.

This means taxpayers who attend a conference in a state, travel to meet a client, or work remotely while briefly visiting family, are technically required to file income tax returns. The burden of filing an income tax return over tax obligations that often amount to less than the cost of adding a new state to their TurboTax return is usually far more onerous than the financial burden of the tax itself — particularly considering that taxes paid to other states are then credited against the taxpayer's home state tax return. The result is a confusing shell game that wastes a great deal of time and paper.

Businesses face similar burdens when their employees travel. Employers are required to withhold state income taxes on behalf of their employees when they earn income in other states, so a few days' worth of work in a different state creates tax compliance obligations for them, as well. This type of petty red tape can be enough to cause employers to dissuade their employees from short-term work in some of the more aggressive states.

Some states have already begun to recognize the pointlessness of this exercise, and aimed to pass thresholds that would exempt nonresidents from tax compliance obligations until they spend a certain amount of time working in that state. States like Alabama, Montana, Illinois, and Indiana have recently passed laws waiving compliance obligations for taxpayers working fewer than 30 days in-state. NTUF's [ROAM Index](#) tracks how much each state has done to reduce these unnecessary burdens on nonresident workers, with these 30-day thresholds being the gold standard.

The Mobile Workforce State Tax Simplification Act, however, would make this 30-day gold standard the law of the land nationwide. Taxpayers would have certainty knowing that, no matter what state they performed work in other than their state of residence, paperwork burdens would not kick in until they had worked the 31st day in a state that year.

It's worth noting that this change would be generally positive for states as well. While these small-dollar tax returns are a huge pain for taxpayers to file, they also take time and resources for states to process. Considering the aforementioned shell game dynamic in play here, those resources are largely wasted, as the revenue gain from nonresidents is offset by reduced revenue from residents claiming credits for taxes paid to other states. Even factoring in states without individual income taxes, the Congressional Budget Office [estimated](#) in the past that this bill would only reduce state revenue across all states by between \$55 to \$100 million, primarily from New York and for most other states a negligible amount.

The Interstate Commerce Simplification Act

The Interstate Commerce Simplification Act would restore protections for taxpayers engaged in business in more than one state by [reversing decades of steady erosion](#) of an important protection for multistate businesses. The Interstate Income Act of 1959, also known as P.L. 86-272, prohibits states from imposing tax obligations on businesses that have no presence in a state other than the solicitation and fulfillment of orders. The goal of the law was to keep tax compliance obligations manageable for small businesses that ship products nationwide, as well as to protect businesses from unscrupulous states seeking to shake down out-of-state businesses with minimal in-state presence for easy revenue.

Unfortunately, in recent years, states like California, New Jersey, and New York have been [aggressive](#) in interpreting “solicitation of orders” narrowly, adopting an interpretation of the law that strips a business of all protection if its website has functions like virtual chat-based customer service, use of digital “cookies,” and acceptance of online job applications. Similarly, a recent Minnesota state [court decision determined](#) that collection of “market research notes” by a Wisconsin-based business’s sales representatives as part of their meetings with clients took the business outside the scope of “solicitation” and stripped them of P.L. 86-272 protections. Most brazenly, Hawaii has simply decided that P.L. 86-272 no longer applies if an out-of-state business exceeds 200 transactions or \$100,000 in sales, which is an interpretation with no basis whatsoever in existing legislative language or jurisprudence.

Language in the House version of the reconciliation package would concisely address this problem by clarifying what is intuitive — that the phrase “solicitation of orders” includes activities that facilitate solicitation of orders. This clarification would head off abuse of this taxpayer protection by the most aggressive states while preserving states’ ability to collect revenue from interstate businesses with a substantial connection to the state. One possible further improvement would be to extend this protection to digital goods as well as tangible goods.

Conclusion

Taken together, these bills would set some common-sense, minimally-intrusive guardrails that would protect average taxpayers and small businesses from facing unnecessary paperwork burdens simply for participating in interstate commerce. As much as the digital economy offers new opportunities, Congress should be active in fostering an environment whereby everyone, including those without armies of state tax accountants, can participate.



*2025 National Taxpayers Union Foundation
122 C Street NW, Suite 700,
Washington, DC 20001
ntuf@ntu.org*