PREPARED BY: DATE PREPARED: PHONE: Doug Gibbs January 28, 2013 402-471-0051

**LB 296** 

Revision: 00

## FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT - STATE AGENCIES (See narrative for political subdivision estimates)								
	FY 2013-14 FY 20							
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE				
GENERAL FUNDS		\$ 0		(\$1,297,000)				
CASH FUNDS								
FEDERAL FUNDS								
OTHER FUNDS								
TOTAL FUNDS		\$ 0		(\$1,297,000)				

Any Fiscal Notes received from state agencies and political subdivisions are attached following the Legislative Fiscal Analyst Estimate.

LB 296 amends the Nebraska Revenue Act of 1967, Section 77-2716 dealing with reductions to federal adjusted gross income for state income tax purposes, and Sections 85-1802 and 85-1809 dealing with the education savings plan.

Section 77-2716 is amended to increase the reduction now available for contributions to the Nebraska educational savings plan trust from a maximum of \$2,500 to a maximum of \$5,000 for someone filing a married, filing separate tax return, and from a maximum of \$5,000 to a maximum of \$10,000 for any other return.

In addition, the bill would allow a rollover from another state's qualified tuition program to qualify for the reduction provided in this section. For a custodial account, including rollovers from another custodial account, the reduction shall only apply to contributions from the custodian of the account made after the effective date of this act.

Section 85-1802 is amended to further define participant in regard to contributions by a custodian for purposes of the reduction available in Section 77-2716, to include the parent or guardian of a minor, which parent or guardian is also the custodian of the account.

Section 85-1809 is amended to specify that in the event of the participant's death or legal incapacitation and the participant has failed to name a successor account owner, the account owner's spouse becomes the account owner or in the event there is no spouse or the spouse is dead or incapacitated, the account beneficiary becomes the account owner. Current statute now provides in this circumstance that the participant's estate becomes the successor participant.

The bill has an operative date of January 1, 2014 and will apply to tax years beginning on or after January 1, 2014.

The Department of Revenue estimates the following fiscal impact to the General Fund:

FY2013-14: \$ 0 FY2014-15: (\$1,297,000) FY2015-16: (\$1,371,000) FY2016-17: (\$1,449,000)

There is no basis to disagree with the Department of Revenue's estimate of fiscal impact.

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES						
LB: 296 AM: AGENCY/POLT. SUB: Dept. of Revenue						
REVIEWED BY: Lyn Heaton DATE: 1/30/2013 PHONE: 402.471.4181						
COMMENTS: No basis upon which to disagree with the Dept. of Revenue's analysis.						

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES						
LB: 296 AM: AGENCY/POLT. SUB: State Treasurer's Office						
REVIEWED BY: Lyn Heaton DATE: 1/24/2013 PHONE: 402.471.4181						
COMMENTS: Concur. No fiscal impact to the State Treasurer's Office.						

State Agency Estimate							
State Agency Name: Department of	of Revenue				Date Due LFA:	01/30/2013	
Approved by: Douglas Ewald		Date Prepared:	01/25/2013		Phone: 471-5896		
	FY 2013	3-2014	FY 2014	<u>-2015</u>	FY 20	15-2016	
	<b>Expenditures</b>	Revenue	<b>Expenditures</b>	Revenue	Expenditures	Revenue	
General Funds		\$0		(\$1,297,000)		(\$1,371,000)	
Cash Funds							
Federal Funds							
Other Funds					<u> </u>		
Total Funds		\$0		(\$1,297,000)		(\$1,371,000)	
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LB 296 increases the contribution amount to a Nebraska educational savings trust, to the extent included in federal adjusted gross income or federal taxable income, which may be excluded from Nebraska income tax from \$2,500 to \$5,000 for a married filing separate return and \$5,000 to \$10,000 for all other returns.

Contributions by a custodian of a minor's custodial account, who is also a parent or guardian of the minor, are now eligible for the contribution deduction, but this change will only apply to funds added to the custodial account after the effective date of this act.

The bill allows qualified rollovers (including any interest and earnings) from another state's plan to qualify for the contribution deduction. The bill also provides that upon an account owner's death, the account owner's spouse automatically becomes the owner of the account. If there is no eligible spouse, then the account beneficiary becomes the owner of the account upon the account owner's death.

The estimated reduction to the General Fund would be as follows:

FY 2013-2014 \$ 0 FY 2014-2015 \$ 1,297,000 FY 2015-2016 \$ 1,371,000 FY 2016-2017 \$ 1,449,000

LB 296 applies to all taxable years beginning or deemed to begin on or after January 1, 2014.

Major Objects of Expenditure								
<u>Class Code</u>	Classification Title	13-14 <u>FTE</u>	14-15 <u>FTE</u>	15-16 <u>FTE</u>	13-14 Expenditures	14-15 Expenditures	15-16 Expenditures	
Benefits								
Operating Costs								
Travel								
Capital Outlay								
A 1 1								
Capital Improvemen	nts							
Total								

<b>LB</b> <sup>(1)</sup> 296	<b>FISCAL</b>	<b>NOTE</b>
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State Agency OR Political Subdivision Name: (2)		State	Treasurer			
Prepared by: (3)	Jason Walters	Date l	Prepared: (4)	January 24, 2013	Phone: (5)	402-471-2793
	ESTIMATE PROVID	ED BY ST	ATE AGENO	CY OR POLITICAL S	SUBDIVISIO	<u>)N</u>
	FY 9	2013-14			FY 2014	-15
	<u>EXPENDITURES</u>		REVENUE	EXPENDITU		REVENUE
GENERAL FUN	DS			<u> </u>		
CASH FUNDS						
FEDERAL FUNI	OS					
OTHER FUNDS						
TOTAL FUNDS						
Explanation of Es	t.					
Personal Services		R OBJECT	S OF EXPEN	NDITURE		
	NU	JMBER OI <u>13-14</u>	POSITIONS  14-15	S 2013-14 EXPENDITU		2014-15 EXPENDITURES
Benefits						
Operating						
Travel						
Capital outlay						
	nents					
TOTAL						