PREPARED BY: DATE PREPARED: PHONE: Doug Gibbs February 23, 2015 402-471-0051

LB 396

Revision: 00

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT - STATE AGENCIES (See narrative for political subdivision estimates)							
	FY 201	5-16	FY 2016-17				
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE			
GENERAL FUNDS	\$76,494	\$0	\$23,006	(\$13,990,000)			
CASH FUNDS							
FEDERAL FUNDS							
OTHER FUNDS							
TOTAL FUNDS	\$76,494	\$0	\$23,006	(\$13,990,000)			

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

LB 396 would provide a nonrefundable income tax credit for long-term care insurance policies issued pursuant to the Long-Term Care Insurance Act, on or after January 1, 2016.

The bill proposes a nonrefundable credit equal to 25% of the premiums paid on insurance policies for the taxpayer, a spouse, parent, immediate family member, or a dependent for which the taxpayer was allowed a personal exemption, during the taxable year for one or more long-term care insurance policies. The credit could not be used by a taxpayer who used the adjustment to federal adjusted gross income provided in section 77-2716. The credit can be claimed for up to three tax years. Unused tax credits cannot be carried forward to the next tax year. The bill becomes operative for tax years beginning January 1, 2016.

The amount of the credit is capped at the lesser of:

- a) \$250 for an individual policy and \$500 for a joint policy; or
- b) The amount of the taxpayer's income tax liability.

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

FY2015-16: \$ 0 FY2016-17: (\$ 13,990,000) FY2017-18: (\$ 14,540,000) FY2018-19: (\$ 15,120,000) FY2019-20: (\$ 1,740,000)

LB 396 would require a one-time programming charge of \$54,026 paid to the Office of the CIO to add a line to the Form 1040N, as well as to the NebFile online filing system. They will also require 0.5 FTE Revenue Agent to validate credits claimed under the bill. The PSL for FY2015-16 is \$16,893 and is \$17,298 for FY2016-17.

We have no basis to disagree with the Department of Revenue's estimate of fiscal impact or cost.

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES					
LB: 396 AM: AGENCY/POLT. SUB: Dept. of Insurance					
REVIEWED BY: Lyn Heaton			DATE: 2/23/2015	PHONE: 471-4181	
COMMENTS: Concur. No fiscal impact on the Department of Insurance.					

LB ⁽¹⁾ 396			FISCAL NOTE				
State Agency OR Political Subdivision Name: (2)	Department of Insurance						
Prepared by: (3) Robert M. Bell	Date Prepared: (4)	1/26/2015 Phone: (5)	402-471-4650				
ESTIMATE PROVI	DED BY STATE AGENO	CY OR POLITICAL SUBDIVISION	ON				
FY	2015-16	FY 2016	5-1 <i>7</i>				
EXPENDITURES		EXPENDITURES	REVENUE				
GENERAL FUNDS							
CASH FUNDS							
FEDERAL FUNDS							
OTHER FUNDS							
TOTAL FUNDS							
Explanation of Estimate:							
No fiscal impact on the Department of In	surance.						
BREAKDON Personal Services:	VN BY MAJOR OBJECT	S OF EXPENDITURE					
	UMBER OF POSITIONS 15-16 16-17	S 2015-16 EXPENDITURES	2016-17 EXPENDITURES				
Benefits							
Operating							
Travel							
Capital outlay							
Capital improvements							
TOTAL							

LB 396 Fiscal Note 2015

State Agency Estimate						
State Agency Name: Departmen	nt of Revenue				Date Due LFA:	2/23/15
Approved by: Len Sloup		Date Prepared:	02/23/15		Phone: 471-5896	
	FY 2015-2016		FY 2016-2017		FY 2017-2018	
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue
General Funds	\$76,494	\$0	\$23,006	(\$13,990,000)	\$23,558	(\$14,540,000)
Cash Funds						
Federal Funds						
Other Funds						
Total Funds	\$76,494	\$0	\$23,006	(\$13,990,000)	\$23,558	(\$14,540,000)
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LB 396 provides individuals a nonrefundable income tax credit on 25% of qualifying premiums paid during the taxable year on long-term care insurance policies issued pursuant to the Long-Term Care Insurance Act on or after January 1, 2016. The credit may not exceed \$250 for each individual policy, \$500 for a joint policy, or the taxpayer's income tax liability. The credit may be claimed for 3 years and for premiums paid on insurance policies for the taxpayer, the taxpayer's spouse, parent, immediate family member, or a dependent for which the taxpayer was allowed to deduct a personal exemption for the taxable year. Any unused tax credit may not be carried forward to the taxpayer's succeeding tax years.

A taxpayer may not claim both this credit and an adjustment to federal adjusted gross income for contributions and investment earnings under the Nebraska long-term care savings plan for the same tax year.

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

FY 2015-2016	\$0
FY 2016-2017	\$13,990,000
FY 2017-2018	\$14,540,000
FY 2018-2019	\$15,120,000
FY 2019-2020	\$1,740,000

LB 396 would require a one-time programming charge of \$54,026 paid to the OCIO to add a line to the Form 1040N, as well as to the NebFile online filing system. The Department would require 0.5 FTE Revenue Agent to validate the credits claimed under this bill.

Major Objects of Expenditure							
Class Code X29222	Classification Title Revenue Agent	15-16 <u>FTE</u> 0.5	16-17 <u>FTE</u> 0.5	17-18 <u>FTE</u> 0.5	15-16 <u>Expenditures</u> \$16,893	16-17 <u>Expenditures</u> \$17.298	17-18 <u>Expenditures</u> \$17,713
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Benefits	Benefits				\$5,575	\$5,708	\$5,845
Operating Costs.				\$54,026	\$0	\$0	
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Capital Improveme	ents						
Total				\$76,494	\$23,006	\$23,558	