PREPARED BY: DATE PREPARED: PHONE: Keisha Patent February 08, 2019 402-471-0059

LB 276

Revision: 00

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT — STATE AGENCIES (See narrative for political subdivision estimates)						
	FY 2019-20		FY 20	20-21		
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE		
GENERAL FUNDS		\$35,360,00		\$85,560,000		
CASH FUNDS						
FEDERAL FUNDS						
OTHER FUNDS						
TOTAL FUNDS		\$35,360,00		\$85,560,000		

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

LB 276 amends the Nebraska Revenue Act of 1967 regarding income from S corporations and limited liability companies. The bill:

- Eliminates the exclusion for income or loss from out-of-state sources for an S corporation or an LLC from adjusted gross income, or for a fiduciary, federal taxable income;
- Requires Nebraska residents who are shareholders of an S corporation or members of an LLC to include the proportionate share of the corporation or LLC's income in their Nebraska taxable income; and
- Includes fair compensation for services rendered to the company in Nebraska taxable income.

The provisions in the bill apply to tax years beginning on or after January 1, 2020.

Revenue:

The Department of Revenue estimates revenue to the General Fund as follows:

FY19-20 \$35,360,000 FY20-21 \$85,560,000 FY21-22 \$87,280,000 FY22-23 \$89,020,000

Expenditures:

The Department of Revenue estimates minimal cost to implement the bill.

There is no basis to disagree with these estimates.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE					
LB: 276 AM: AGENCY/POLT. SUB: Department of Revenue					
REVIEWED BY:	Lee Will	DATE: 2/11/2019	PHONE: (402) 471-4175		
COMMENTS: No basis to disagree with the Department of Revenue's statement of fiscal impact.					

LB 276 Fiscal Note 2019

State Agency Estimate							
State Agency Name: Department	t of Revenue				Date Due LFA:	2/8/19	
Approved by: Tony Fulton		Date Prepared: 2/7/19			Phone: 471-5896		
	FY 2019	0-2020	FY 2020-2021		FY 2021-2022		
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue	
General Funds		\$35,360,000		\$85,560,000		\$87,280,000	
Cash Funds							
Federal Funds							
Other Funds							
Total Funds		\$35,360,000		\$85,560,000		\$87,280,000	

LB 276 eliminates the individual and fiduciary non-Nebraska source income deduction for income from S Corporations and limited liability corporations ("LLCs") after January 1, 2020 in § 77-2716. It also replaces the adjusted income inclusion provision for shareholders and members of S Corporations and LLCs who are residents of Nebraska after January 1, 2020 in § 77-2734.01. After January 1, 2020 for resident shareholders and members of S Corporations and LLCs, Nebraska taxable income shall include the proportionate share of the company's federal income. This new income determination makes no adjustments for "income that is derived from or connected with Nebraska sources" under § 77-2734(2). Nebraska taxable income will also include fair compensation for services rendered to the company.

It is estimated that this bill will increase the general fund revenue as follows:

FY2019-2020 \$35,360,000 FY2020-2021 \$85,560,000 FY2021-2022 \$87,280,000 FY2022-2023 \$89,020,000

It is estimated that there will be minimal costs to the Department to implement this bill.

	Major Objects of Expenditure							
Class Code	Classification Title	19-20 <u>FTE</u>	20-21 <u>FTE</u>	21-22 <u>FTE</u>	19-20 Expenditures	20-21 Expenditures	21-22 Expenditures	
Benefits	Benefits.							
Operating Costs	Operating Costs							
	Travel							
Capital Outlay								
Capital Improvements.								
	Total							