

Revised

FISCAL NOTE
 LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *				
	FY 2007-08		FY 2008-09	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	71,700	See Below	29,500	See Below
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	71,700	See Below	29,500	See Below

*Does not include any impact on political subdivisions. See narrative for political subdivision estimates.

LB 431 provides a refundable Individual Income Tax credit for Nebraska residents equal to 10% of the amount paid to others for tuition, fees, textbooks, and transportation. The credit can be used for each dependent attending a public or nonpublic elementary or secondary school. The maximum credit for kindergarten through sixth grade is \$250 for each dependent, and the maximum credit for seventh through twelfth grade is \$500 for each dependent.

Under the assumption that the full credit could be utilized for those individuals attending private schools, lost revenues are estimated at \$18,444,830 per year.

	<u>Total Students</u>	<u>Estimated Credit</u>	<u>Total</u>
Statewide Public (K-6)	145,047	\$15	\$2,175,705
Statewide Public (7-12)	135,135	\$25	\$3,378,375
Statewide Private (K-6)	21,779	\$250	\$5,444,750
Statewide Private (7-12)	14,892	\$500	\$7,446,000
			<u>\$18,444,830</u>

To the extent that total costs for K-6 private students are below \$2,500 and total costs for 7-12 private students are below \$5,000 (the total amount of expenditures that allow for the maximum credit), the estimated revenue loss would be reduced. However, comprehensive data regarding state specific private school tuition levels is not readily available.

Also, because the Department of Revenue conducts their audits primarily in conjunction with federal audits, there would be a distinct inability to verify the amount of legitimate expenditures claimed in regards to a state specific credit. This inability could result in an increase for any number of credits falling under the maximum amount.

The Department estimates \$43,100 of one-time programming costs. The remainder of the costs are associated with ongoing personnel expenses for processing returns claiming this credit.

Expense Items	FY08	FY09
Revenue Agent (0.5 FTE)	14,800	15,300
Office Clerk III (0.33 FTE)	6,700	6,900
Benefits	7,100	7,300
Operating Expenses	43,100	
Total	71,700	29,500

IMPACT ON POLITICAL SUBDIVISIONS: This bill does not appear to have a material fiscal impact on political subdivisions.

DEPARTMENT OF ADMINISTRATIVE SERVICES

REVIEWED BY	Lyn Heaton	DATE	3/9/07	PHONE	471-2526
COMMENTS: DEPARTMENT OF REVENUE: No basis upon which to disagree with the agency estimate.					