

**FISCAL NOTE**  
**LEGISLATIVE FISCAL ANALYST ESTIMATE**

<b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES</b> (See narrative for political subdivision estimates)				
	<b>FY 2014-15</b>		<b>FY 2015-16</b>	
	<b>EXPENDITURES</b>	<b>REVENUE</b>	<b>EXPENDITURES</b>	<b>REVENUE</b>
GENERAL FUNDS	\$260,000	(\$2,057,000)	\$ 0	\$(2,286,000)
CASH FUNDS		\$11,333,000		(\$48,000)
FEDERAL FUNDS				
OTHER FUNDS				
<b>TOTAL FUNDS</b>	<b>\$260,000</b>	<b>\$9,276,000</b>	<b>\$ 0</b>	<b>(\$2,334,000)</b>

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

LB 761 amends Nebraska Revised Statutes Sections 77-367 and 77-5601.

Section 77-367 is amended to require the Department of Revenue to enter into a contract by October 31, 2014 to procure products and services which will help the department identify nonfilers of tax returns, underreporters or nonpayers of taxes, and improper or fraudulent tax payments in order to identify persons with an outstanding tax liability of \$25,000 or more.

The bill amends Section 77-5601 to provide for a tax amnesty period beginning August 1, 2014 and running through October 31, 2014. Any person applying for the amnesty would have to pay all unreported taxes that were due on or before April 1, 2014. The person would have to apply during the amnesty period and file a return for each taxable period for which the amnesty is requested by December 31, 2014.

The amnesty is not available to any person under civil or criminal audit, investigation or prosecution for unreported or delinquent taxes by the state or the U. S. Government on or before April 16, 2014.

LB 761 further provides that no less than 80% of all revenue received from the tax amnesty program would be deposited in the Property Tax Credit Cash Fund and 20%, not to exceed \$1 million, deposited in the Department of Revenue Enforcement Fund. Any amount in excess of the \$1 million would also be deposited in the Property Tax Credit Cash Fund.

Exceptions to the 80% requirement are local option sales tax, sales tax that is to be deposited in the State Highway Capital Improvement Fund, the Highway Allocation Fund, and motor fuel taxes.

For FY15-16 all proceeds to the Revenue Enforcement Fund from the tax amnesty program shall be appropriated to employ investigators, agents, and auditors to the Department of Revenue for enforcement purposes.

For fiscal years after FY15-16, 20% of all proceeds, not to exceed \$750,000, due to the efforts of the personnel hired as a result of the amount received above from the tax amnesty program shall be deposited in the Department of Revenue Enforcement Fund for purposes of increasing enforcement activities.

The Department of Revenue is required to report by April 1, 2015 and by February 1 each year thereafter detailing the results of the tax amnesty program.

The Department of Revenue has estimated the following fiscal impact as a result of LB 761:

Fiscal Year:	General Fund:**	State Highway Capital Improvement Fund:	Highway Allocation Fund: (Local)	Property Tax Credit Cash Fund:	Department of Revenue Enforcement Fund:	Total:
2014-15:	(\$ 2,057,000)	\$ 220,000	\$ 39,000	\$ 10,863,000	\$ 250,000	\$ 9,315,000
2015-16:	(\$ 2,286,000)	(\$ 48,000)	(\$ 9,000)	\$ 0	\$ 0	(\$ 2,343,000)
2016-17:	(\$ 2,514,000)	(\$ 54,000)	(\$ 10,000)	\$ 0	\$ 0	(\$ 2,578,000)

\*\*The Department of Revenue notes that revenue collected pursuant to the amnesty program will be partially offset by reductions in collections over the next three fiscal years, resulting in a reduction to the General Fund. In addition, companies receiving tax incentives may apply for and pay their delinquent taxes under the amnesty program. The taxes paid by those companies would be paid to the Property Tax Credit Cash Fund and the Enforcement Fund. Those companies would also be eligible to file for a refund under the incentive programs, resulting in a loss to the General Fund.

We do not disagree with the Department of Revenue's estimate of fiscal impact to the above describe funds.

The Department of Revenue believes that the actual amount collected under the amnesty program will depend on disseminating information, including advertising, about the amnesty program. The Department estimates the cost of an advertising program as follows:

Radio, television, and direct mail:	\$ 199,600
Printing, mailing, and design:	\$ 60,400
Social media/ Internet:	\$ 0
Total:	\$ 260,000

We agree with the Department of Revenue's estimate of cost.

The Department also indicates that LB 761 will result in an increase of \$250,000 to the Revenue Enforcement Fund for FY2014-15, which could be used for hiring additional staff; however, expenditures from the Fund for FY2015-16 and thereafter are limited to \$750,000 annually. As a result, the Department will not expend the additional \$250,000 to hire additional staff.

Note: the language in LB 761 regarding the above described funding for additional personnel and intent to appropriate money for that purpose is not a binding appropriation and would continue to be subject to the budget and appropriation process.

Finally, the Department of Revenue states they are unable to estimate the revenue impact to the General Fund as a result of the requirement that they enter into a contract to identify persons with an outstanding tax liability of at least \$25,000. The possible cost of such a contract is undeterminable at this time and could vary widely by vendor and service and would be subject to the public bidding process. The potential revenue as a result of such contracts is also undeterminable given the uncertainty of how many individuals would be identified.

We agree with the Department analysis of this aspect of LB 761.

**State Agency Estimate**

State Agency Name: Department of Revenue		Date Due LFA: 01/29/2014				
Approved by: Kim Conroy		Date Prepared:				
Phone: 471-5896						
	<b>FY 2014-2015</b>		<b>FY 2015-2016</b>		<b>FY 2016-2017</b>	
	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>
General Funds	\$260,000*	\$(2,057,000)*	\$0*	\$(2,286,000)*	\$0*	\$(2,514,000)*
Cash Funds		\$11,333,000		\$(48,000)		\$(54,000)
Federal Funds						
Other Funds		\$39,000		\$(9,000)		\$(10,000)
Total Funds	\$260,000	\$9,315,000	\$0	\$(2,343,000)	\$0	\$(2,578,000)

LB 761 authorizes a tax amnesty from August 1, 2014 to October 31, 2014, for all taxes due and owing on or before April 1, 2014, that have not been reported to the Department of Revenue (Department).

A person must apply for amnesty, file a return for each taxable period for which the amnesty is requested by December 31, 2014 if no return has been filed, and pay all taxes for which amnesty is sought. Tax amnesty is not available for any person that is under civil or criminal audit, investigation, or prosecution for unreported or delinquent taxes by the State of Nebraska or the U.S. Government on or before April 16, 2014.

Of the taxes collected under the tax amnesty, except for local sales and use taxes, sales and use taxes credited to the State Highway Capital Improvement Fund and the Highway Allocation Fund, and motor fuel taxes, 80% will be deposited in the Property Tax Credit Cash Fund and 20% deposited in the Department of Revenue Enforcement Fund (Enforcement Fund), up to \$1 million. Any amount in excess of \$1 million that would have otherwise been deposited in this Enforcement Fund must be credited to the Property Tax Credit Cash Fund.

Any funds deposited in the Enforcement Fund, up to \$1 million, for fiscal year 2015-2016 must be used for purposes of increasing personnel for enforcement of the Nebraska Revenue Act. Currently, the Department utilizes \$750,000 annually from the Enforcement Fund for purposes of funding enforcement staff.

After fiscal year 2015-2016, 20% of the tax collections, up to \$750,000, resulting from staff funded by the tax amnesty will be deposited in the Enforcement Fund to continue employment of enforcement staff or to hire additional staff. Tax collections resulting from staff funded by the tax amnesty program that is not deposited in the Enforcement Fund will continue to be deposited in the General Fund.

The Department must report on the amounts collected pursuant to the amnesty by April 1, 2015, categorized by tax program, location of the taxpayer, and whether the taxpayer is an individual or business. In addition, the Department must report annually on increases in staff attributed to the tax amnesty and revenue collected.

The estimated revenue increases and decreases due to the tax amnesty would be as follows:

Fiscal Year	General Fund	State Highway Capital Improvement Fund	Highway Allocation Fund	Property Tax Credit Cash Fund	Department of Revenue Enforcement Fund	Total
FY 14-15	\$ (2,057,000)	\$ 220,000	\$ 39,000	\$ 10,863,000	\$ 250,000	\$ 9,315,000
FY 15-16	\$ (2,286,000)	\$ (48,000)	\$ (9,000)	\$ -	\$ -	\$ (2,343,000)
FY 16-17	\$ (2,514,000)	\$ (54,000)	\$ (10,000)	\$ -	\$ -	\$ (2,578,000)

\* The expenditure and revenue does not account for the cost and revenue impact of the provision that requires the Department to enter into a contract to identify persons who have an outstanding tax liability of at least \$25,000.

