LB 510

Revision: 00 FISCAL NOTE LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)									
	FY 201	FY 20	16-17						
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE					
GENERAL FUNDS	\$190,535	\$0	\$33,080	(\$231,000)					
CASH FUNDS									
FEDERAL FUNDS	\$28,567		\$33,080						
OTHER FUNDS									
TOTAL FUNDS	\$219,102	\$0	\$66,160	(\$231,000)					

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

LB 510 amends the Nebraska Revenue Act of 1967.

Section 77-2701 is amended to create a nonrefundable income tax credit for the employer of any eligible employee who is a member of a family that received benefits under the federal Temporary Assistance to Needy Families program (TANF), for any 9 months of the 18-month period immediately prior to the employee's hiring.

The amount of the credit is 20% of the employer's annual expenditures for certain services, although the credit may not exceed the employer's actual tax liability. Those services include the following provided to eligible employees:

- > Provision of tuition at a Nebraska public institution of postsecondary education;
- Child care services;
- Transportation to and from work

The employer claiming the credit may only do so for two years.

The bill is operative for taxable years beginning on or after January 1, 2016.

The Department of Revenue, in consultation with the Department of Health and Human Services, is to develop a process to verify the employer's qualifications for credits claimed under LB 510 and to report annually on the number of employers claiming a credit and number of employees receiving those services.

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

FY2015-16:	\$	0	
FY2016-17:	(\$ 23	1,000)	
FY2017-18:	(\$ 233	3,000)	

The Department of Revenue indicates the bill will require a one-time programming charge of \$161,968 paid to the office of the CIO to add a line to Forms 1040N, 1120N, and 1041N, and required changes to the NebFile online filing system.

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

The Department of Health and Human Services indicates that LB 510 will require a Program Specialist to assist in developing the verification process and providing that information on a continuing basis to the Department of Revenue. The cost for FY2015-16 is estimated at \$73,296 (\$36,648 General Fund and \$36,648 Federal Fund) with PSL of \$36,910. The cost for FY2016-17 is \$87,954 (\$43,977 General Fund and \$43,977 Federal Fund) with PSL of \$44,292.

We disagree with the Department of Health and Human Services' estimate of operating costs. Our estimate of cost is as follows: FY2015-16: \$57.134 (\$28.567 General and \$28.567 Federal) with PSL of \$36.910.

FY2016-17: \$66,160 (\$33,080 General and \$33,080 Federal) with PSL of \$44,292.

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES							
LB: 510 AM: AGENCY/POLT. SUB: Dept. of Health and Human Services							
REVIEWED BY: Lyn Heaton DATE: 2/23/2015 PHONE: 471-4181							
COMMENTS: In the absence of an automated data matching process between the Department of Health and Human							
Services and the Department of Revenue, it is reasonable to assume that it will require staff time to verify the employees an							
employer provided the services outlined in (1)(a) through (1)(c) in section 2 of the bill are a member of a family that received							
benefits under the TANF program.							

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES							
LB: 510 AM: AGENCY/POLT. SUB: Dept. of Revenue							
REVIEWED BY: Lyn Heaton DATE: 2/24/2015 PHONE: 471-4181							
COMMENTS: No basis upon which to disagree with the Department of Revenue's analysis given their assumption of							
relatively limited use	e of the credit.						

LB₍₁₎ <u>510</u>

FISCAL NOTE

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

State Agency or Political Subdivision Name:(2) Department of Health and Human Services

Date Prepare	ed:(4) 2-18-15	Phone: (5) 471-0676 <u>FY 2016-2017</u>			
FY 2015-2	016				
EXPENDITURES	REVENUE	EXPENDITURES	REVENUE		
\$36,648		\$43,977			
\$36,648		\$43,977			
\$73,296	\$0	\$87,954	\$0		
-	<u>FY 2015-2</u> EXPENDITURES \$36,648 \$36,648	\$36,648	FY 2015-2016 FY 2016-2 EXPENDITURES REVENUE EXPENDITURES \$36,648 \$43,977 \$36,648 \$43,977		

Return by date specified or 72 hours prior to public hearing, whichever is earlier.

Explanation of Estimate:

LB 510 requires the Department to cooperate with the Nebraska Department of Revenue to develop a process to verify whether an employer is eligible for a tax credit if providing certain services that benefit employees receiving public assistance. A Program Specialist would be needed to assist developing the verification process and providing such verification on an ongoing basis. The cost would be \$73,296 (\$36,648 GF, \$36,648 FF) for SFY16 and \$87,954 (\$43,977 GF, \$43,977 FF) for SFY17 in Program 266.

MAJOR OBJECTS OF EXPENDITURE							
PERSONAL SERVICES:							
		POSITIONS	2015-2016	2016-2017			
POSITION TITLE	15-16	16-17	EXPENDITURES	EXPENDITURES			
DHHS Program Specialist	.83	1	\$36,910	\$44,292			
Benefits			13,224	15 868			
				15,000			
Operating			23,162	15,868 27,794			
Travel							
Capital Outlay							
Aid							
Capital Improvements							
Capital Improvements							
TOTAL			\$73,296	\$87,954			

Fiscal Note 2015

State Agency Estimate									
State Agency Name: Department of Revenue Date Due LFA: 2/23/15									
	Date Prepared:	02/23/15		Phone: 471-5896					
<u>FY 2015-2016</u> <u>FY 2016-2017</u> <u>FY 2017-201</u>									
Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue				
\$161,968	\$0	\$0	\$(231,000)	\$0	\$(233,000)				
\$161,968	\$0	\$0	\$(231,000)	\$0	\$(233,000)				
	<u>FY 2015-</u> Expenditures \$161,968	Revenue Date Prepared: FY 2015-2016 Expenditures Revenue \$161,968 \$0	Date Prepared: 02/23/15 FY 2015-2016 FY 2016 Expenditures Revenue Expenditures \$161,968 \$0 \$0	Evenue Date Prepared: 02/23/15 FY 2015-2016 FY 2016-2017 Expenditures Revenue \$161,968 \$0	Revenue Date Due LFA: Date Prepared: 02/23/15 FY 2015-2016 FY 2016-2017 Expenditures Revenue \$161,968 \$0 \$161,968 \$0				

State A man ary Estimate

LB 510 provides a 20% nonrefundable income tax credit for an employer's expenditures on eligible employees for tuition at Nebraska public institutions for postsecondary education, child care services or payment for costs of child care services, and for transportation of eligible employees to and from work. The credit may be claimed for two (not necessarily consecutive) tax years. The credit is available for all taxable years beginning or deemed to begin on or after January 1, 2016.

An eligible employee is defined as an individual who is a member of a family that received benefits under the federal Temporary Assistance to Needy Families program for any nine months of the eighteen-month period immediately prior to the employee's hiring date.

The Department of Revenue, in consultation with the Department of Health and Human Services, must develop a process to verify that any employer claiming credits qualifies for credits under the Act.

The Department must annually report on the number of employers claiming a credit and the number of eligible employees receiving those services.

The Department estimates the reduction to the General Fund revenues as follows:

FY 2015-2016	\$ 0
FY 2016-2017	\$ 231,000
FY 2017-2018	\$ 233,000

LB 510 would require a one-time programming charge of \$161,968 paid to the OCIO to add lines and schedules to the Forms 1040N, 1041N and 1120N as well as to the NebFile online filing system.

Major Objects of Expenditure										
<u>Class Code</u>	Classification Title		16-17 <u>FTE</u>		15-16 <u>Expenditures</u>	16-17 <u>Expenditures</u>	17-18 <u>Expenditures</u>			
	Benefits Operating Costs						\$0			
Travel										
Aid										
Capital Improvemen	nts	¢1(1)0(9	¢0	¢0.						
Total		••••••			\$161,968	\$0	\$0			