

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2016-17		FY 2017-18	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS				

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

LB 776 is the Department of Revenue’s annual clean-up bill and amends several sections of Nebraska Statute.

Section 77-2704.24 is amended to maintain compliance with the Streamlined Sales and Use Tax Agreement (SSUTA) by changing and “and” to an “or” and clarifying an allowable exception to the definition of “prepared food” for food that requires additional cooking.

Section 77-2712.03 is amended to change a date to 2015 in order to maintain the state’s acceptance of changes to the SSUTA since 2010.

Section 77-2716 is amended to correct errors in the language regarding adjustments to federal adjusted gross income (AGI) for the following”

- > Clarifies that interest earned on Build America Bonds issued by local governments in Nebraska is subtracted from AGI;
- > Clarifies that the subtraction from AGI for contributions to an ABLÉ account is allowed to the person that contributes the amount to the account;
- > Clarifies that the addition to AGI for termination of an ABLÉ account includes withdrawals for non-qualified expenses and the recapture is added to the AGI of the owner of the account.

Section 77-2791 is amended to provide that refundable income tax credits are considered overpayments even if the taxpayer has no income tax liability and harmonizes language.

Section 77-2793 is amended regarding the statute of limitations for refundable credits for harmonize language regarding overpayments.

Section 77-3508 is amended to eliminate the use of the word “regular” in regard to use of a mechanical aid or prostheses for purposes of the homestead exemption and to remove the requirement for annual certifications of disability if there is no change in medical condition.

Sales tax sections of the bill become operative on October 1, 2016; income tax sections become operative for tax years beginning on or after January 1, 2016; homestead exemption sections become operative on January 1, 2017; and SSUTA sections three months after the conclusion of the legislative session.

The Department of Revenue indicates no fiscal impact and minimal expenditure to implement as a result of LB 776.

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

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES			
LB: 776	AM:	AGENCY/POLT. SUB: Dept. of Revenue	
REVIEWED BY: Lyn Heaton		DATE: 1/19/2016	PHONE: 471-4181
COMMENTS: No basis upon which to disagree with the Department of Revenue’s analysis.			

State Agency Estimate

State Agency Name: Department of Revenue		Date Due LFA: 1/19/2016			
Approved by: Tony Fulton		Date Prepared: 1/12/2016			
		Phone: 471-5896			
<u>FY 2016-2017</u>		<u>FY 2017-2018</u>		<u>FY 2018-2019</u>	
<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>
General Funds	\$0		\$0		\$0
Cash Funds					
Federal Funds					
Other Funds					
Total Funds	\$0		\$0		\$0

LB 776 would:

A. Amend Neb. Rev. Stat. § 77-2704.24 to maintain Nebraska’s compliance with the Streamlined Sales and Use Tax Agreement (SSUTA). The proposal would correct an “and” to an “or” and carve out an allowable exception to the definition of “prepared food” for food that requires additional cooking. It would also amend § 77-2712.03 to update Nebraska’s acceptance of the SSUTA to adopt changes to the SSUTA since 2010.

B. Amend Neb. Rev. Stat. § 77-2716, Nebraska adjustments to federal adjusted gross income to correct three errors in the language so that the statutes are consistent with the current interpretations of the Department. The corrections are:

1. Specifically provide that interest earned on Build America Bonds issued by local governments in Nebraska is subtracted from federal adjusted gross income.
2. Clarify that the subtraction for contributions to an ABLE account, as allowed by LB 591 (2015) is allowed to the person that contributes the amount to the account.
3. Clarify that the addition to federal AGI for termination of the account includes withdrawals for non-qualified expenses and the recapture is added to the income of the owner of the account.

C. Amend Neb. Rev. Stat. § 77-2791 to provide that refundable income tax credits are considered overpayments even if the taxpayer has no income tax liability. It would also amend § 77-2793 to change that part of LB 851 (2014) that provided for a different statute of limitations for refundable credits than was applicable to overpayments generally, that is, three years from when the return is filed or two years after the tax was paid, if a return was actually filed. The LB 851 statute of limitations of three years from the original due date of the return would be restricted to situations where there was not an original return filed.

D. Amend two sections dealing with the homestead exemption program to:

1. Eliminate the word “regular” regarding use of mechanical aids or prostheses for purposes of homestead disability; and
2. Remove the requirement of annual certifications for most disabled homestead claimants if no change in condition has occurred.

The sales tax sections of the bill would be operative October 1, 2016; the income tax sections for taxable years beginning on or after January 1, 2016; the homestead exemption sections January 1, 2017; and the approval of changes to the SSUTA three months after the end of the session.

Departmental cost to implement LB 776 is expected to be minimal, and there is no revenue impact associated with this bill.

