

Revised to clarify timing of fiscal impact and include revised agency response

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2020-21		FY 2021-22	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$119,451			
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$119,451			

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

LB 865 amends the Revenue Act of 1967 to require the Tax Commissioner to include space on the individual income tax return form where an individual can designate any amount of refund as a contribution to an account established under NEST. The Tax Commissioner must determine the total amount of contributions each year and transfer the amount from the General Fund to the College Savings Plan Program Fund to deposit in the appropriate accounts.

As amended, provisions amending definitions relating to NEST accounts and providing for a deduction for contributions by employers were stricken from the bill.

The bill is operative January 1, 2021.

Revenue:

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

FY 20-21	\$0
FY 21-22	\$0
FY 22-23	(\$641,000)
FY 23-24	(\$660,230)

The department assumes approximately 5% of the total refunds will be applied to NEST accounts, which provides for an income tax benefit the following year. LB 865 adds a process to contribute to NEST accounts, and it is reasonable to assume more contributions will be made to NEST accounts than would otherwise be made. As such, there is no basis to disagree with this estimate.

In the previous fiscal note, the department assumed the deduction applied first on returns filed in 2021, with the impact of lost revenue realized in FY 21-22. However, because the bill clarifies the space on the return is not required until tax year 2021, the deduction will be taken when tax year 2021 returns are filed in 2022, and the impact is realized in FY 22-23. As a result, the fiscal impact in FY 21-22 is zero.

Expenditures:

The department estimates a one-time programming charge of \$119,451 to the OCIO for mainframe and web development changes. The State Treasurer estimates no cost to implement the bill.

There is no basis to disagree with these estimates.

State Agency Estimate

State Agency Name: Department of Revenue		Date Due LFA:				
Approved by: Tony Fulton		Phone: 471-5896				
Date Prepared:						
	FY 2020-2021		FY 2021-2022		FY 2022-2023	
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue
General Funds	\$119,451		\$0		\$0	(\$641,000)
Cash Funds						
Federal Funds						
Other Funds						
Total Funds	\$119,451		\$0		\$0	(\$641,000)

LB 865 as amended by AM 2732 requires the Tax Commissioner to add a space on the individual income tax return for the taxpayer to designate any amount of a refund as a contribution to an account established under the Nebraska educational savings plan trust, beginning January 1, 2021. Each year, the Tax Commissioner will determine the amount of designated contributions and the State Treasurer will transfer such amount from the General Fund to the College Savings Plan Program Fund.

The Department of Revenue assumes approximately 5% of the total refund amount would be applied to a Nebraska educational savings plan trust. The estimated total reduction to the General Fund would be as follows:

FY2020-21	\$	-
FY2021-22	\$	-
FY2022-23	\$	641,000
FY2023-24	\$	660,230

Taxpayers can designate an amount to be contributed to the Nebraska educational savings plan trust when they file their 2021 return in 2022. The deduction is applied to the 2022 tax year therefore the fiscal impact of lost General Fund revenue is not realized until FY2022-23.

LB 865 AM 2732 would require a one-time programming charge of \$119,451 paid to the OCIO for mainframe and web development changes. It is estimated that there will be minimal costs to DOR to implement this bill.

Major Objects of Expenditure

Class Code	Classification Title	20-21	21-22	22-23	20-21	21-22	22-23
		FTE	FTE	FTE	Expenditures	Expenditures	Expenditures
	Benefits.....						
	Operating Costs.....				\$119,451		
	Travel.....						
	Capital Outlay.....						
	Capital Improvements.....						
	Total.....				\$119,451		

Please complete ALL (5) blanks in the first three lines.

2020

LB⁽¹⁾ 865, AM2732

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ State Treasurer

Prepared by: ⁽³⁾ Tyson Larson Date Prepared: ⁽⁴⁾ 3/5/20 Phone: ⁽⁵⁾ (402) 471-1234

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2020-21</u>		<u>FY 2021-22</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	-	-	-	-
CASH FUNDS	-	-	-	-
FEDERAL FUNDS	-	-	-	-
OTHER FUNDS	-	-	-	-
TOTAL FUNDS	-	-	-	-

Explanation of Estimate:

The State Treasurer's Office doesn't expect any fiscal impact from LB865 as amended by AM2732 to the State Treasurer's office.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2020-21</u>	<u>2021-22</u>
	<u>20-21</u>	<u>21-22</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Benefits.....				
Operating.....				
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
TOTAL.....				