PREPARED BY: DATE PREPARED: PHONE: Austin Ligenza February 1, 2021 (402)471-0050

LB 531

Revision: 00

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT - STATE AGENCIES (See narrative for political subdivision estimates)							
	FY 2021-22		FY 2022-23				
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE			
GENERAL FUNDS	\$114,990		\$36,800	(\$13,040,000)			
CASH FUNDS							
FEDERAL FUNDS							
OTHER FUNDS							
TOTAL FUNDS	\$114,990		\$36,800	(\$13,040,000)			

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

LB 531 seeks to adopt the Nebraska Child Care Contribution Tax Credit Act. LB 531 defines various terms, such as child, child care, and eligible childcare and early childhood education programs.

LB 531 becomes operative January 1, 2022.

Beginning January 1, 2022, and ending January 1, 2027, the Department of Revenue shall provide a nonrefundable income tax credit for qualifying taxpayers that made contributions to an eligible child care and early childhood education program during the tax year. This includes contributions made to promote or enhance the quality of child care and early childhood education programs. The credit is equal to 50% or 75%, and a taxpayer shall not receive more than \$100,000 per taxable year. The credit is equal to 75% if the qualifying contribution made by a taxpayer was made to an eligible program that either (a) is located in a designated opportunity zone in Nebraska, or (b) that has at least one child enrolled in the child care subsidy program and is actively caring and billing for the child. For all other contributions, the credit shall be equal to 50%.

Under LB 531, any credit received in excess of a taxpayer's liability, the taxpayer may carry this forward for up to five taxable years after the year the credit was first allowed.

Revenue:

The Department of Revenue estimates that 6,100 taxpayers will utilize the Nebraska Child Care Contribution Tax Credit Act, with 700 being in an area within an opportunity zone. The general fund impact is estimated as follows:

- FY22: \$0
- FY23: (\$13,040,000)
- FY24: (\$13,692,000)
- FY25: (\$14,377,000)

There is no basis to disagree with these estimates.

Expenditures:

The Department of Revenue estimates the need for a 0.5 FTE Revenue Tax Specialist beginning in FY22-23 to implement LB 531. Additionally, DOR expects an OCIO charge of \$104,910 and a contract fee of \$10,080 to implement LB 531 within Nebraska's tax filing system. There is no basis to disagree with these estimates.

LB 531 Fiscal Note 2021

State Agency Estimate							
State Agency Name: Department	of Revenue				Date Due LFO:		
Approved by: Tony Fulton		Date Prepared:	2/1/2021		Phone: 471-5896		
	FY 2021-	-2022	FY 202	2-2023	FY 202	3-2024	
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue	
General Funds	\$ 114,990	\$ 0	\$ 36,800	\$ (13,040,000)	\$ 37,600	\$ (13,692,000)	
Cash Funds							
Federal Funds							
Other Funds							
Total Funds	\$ 114,990	\$ 0	\$ 36,800	\$ (13,040,000)	\$ 37,600	\$ (13,692,000)	

LB 531 adopts the Nebraska Child Care Contribution Tax Credit Act. The Act provides a nonrefundable income tax credit to taxpayers, both resident and nonresident individuals, estates, trusts, and corporations, who make a qualifying contribution in tax years on or after January 1, 2022 and before January 1, 2027. Before receiving the credit, the taxpayer must apply to the Department of Revenue (DOR) and receive a credit allocation.

A qualifying contribution is one used for the purpose of promoting or enhancing eligible quality child care and early childhood education programs. An eligible child care and early childhood education program is a program that is (1) enrolled in the quality rating and improvement system developed under the Step Up to Quality Child Care Act, (2) is licensed as a family child care home I, family child care home II, child care center, preschool, or school-age-only center, and (3) operates as either a for-profit or nonprofit organization. Qualifying contributions include those (1) to establish or operate an eligible child care and early childhood education program, (2) to establish a registered grant or loan program for parents requiring financial assistance for an eligible child care and early childhood education program, (3) to an early childhood collaborative or another intermediary to train or to provide technical assistance, or mentorship of child care and education providers, (4) to establish or support an informational dissemination program that assists parents with information and referral for child care services, (5) to a for-profit child care business including family home providers, or (6) to an intermediary to establish or operate an eligible child care and early childhood education program. An intermediary is defined as any organization that distributes funds for the purpose of supporting an eligible child care and early childhood education program. Credits are not allowed for contributions made to a child care provider in which the taxpayer or person related to the taxpayer has a financial interest.

The credit will be equal to 75% of the qualifying contribution if the eligible child care and early childhood education program that receives the contribution either (1) is located in an opportunity zone as designated by the federal Tax Cuts and Jobs Act, or (2) provides services for at least one child enrolled in the child care subsidy program established pursuant to 68-1202. The credit will be equal to 50% of the qualifying contribution in all other cases. The credit for a single taxpayer cannot exceed \$100,000 in any single taxable year. Credits may be

Major Objects of Expenditure							
Class Code	Classification Title	21-22 <u>FTE</u>	22-23 <u>FTE</u>	23-24 <u>FTE</u>	21-22 Expenditures	22-23 Expenditures	23-24 Expenditures
A29621	Revenue Tax Specialist	0	0.5	0.5	\$ 0	\$ 27,700	\$ 28,300
							_
Benefits					\$ 114,990	\$ 9,100	\$ 9,300
Operating Costs							
Capital Outlay							
	ents						
					\$ 114,990	\$ 36,800	\$ 37,600

LB 531 page 2 Fiscal Note 2021

carried forward for up to 5 taxable years after the year in which the credit was first allowed. DOR may approve credits up to \$15 million each year. Credits may be recaptured if they are obtained by fraud or misrepresentation.

DOR utilized data from Colorado's Child Care Contribution Credit to determine the fiscal impact by scaling the use of the credit to Nebraska's population. It is estimated that approximately 6,100 taxpayers will be applying for the credits, with 700 of those to be used in an area within an opportunity zone. Under these assumptions, LB 531 is estimated to have the following fiscal impact on the General Fund revenues.

FY2021-2022	\$ -
FY2022-2023	\$ (13,040,000)
FY2023-2024	\$ (13,692,000)
FY2024-2025	\$ (14,377,000)

DOR will need 0.5 FTE Revenue Tax Specialist starting in FY22-23 and FY23-24 to implement the bill.

LB 531 will require a one-time programming charge of \$104,910 paid to the OCIO to add a line to form 1040N, 1120N, 1041N and web development cost for NebFile, and a one-time contract fee of \$10,080 paid to the OCIO for changes to Corporate and Individual MeF.

LB ⁽¹⁾ 531			FISCAL NOTE
State Agency OR Political Subdivision Name: (2)	Education		
Prepared by: (3) Melody Hobson	Date Prepared: (4)	1/21/2021 Phone: (5)	402-471-0263
ESTIMATE PROVI	DED BY STATE AGENC	Y OR POLITICAL SUBDIVISION	ON
FY	2021-22	FY 2022	2-23
EXPENDITURES		EXPENDITURES	REVENUE
GENERAL FUNDS			
CASH FUNDS			
FEDERAL FUNDS			
OTHER FUNDS			
TOTAL FUNDS			
Explanation of Estimate:	=		
Unknown at this time. Tax credit is capp 2021-2022 and 2022-2023 is not known	n.	The doc of the tax oreal in the	e state notal years
	WN BY MAJOR OBJECTS	S OF EXPENDITURE	
Personal Services:	UMBER OF POSITIONS	2021-22	2022-23
POSITION TITLE	<u>21-22</u> <u>22-23</u>	EXPENDITURES	EXPENDITURES
Benefits			
Operating			
Travel			
Capital outlay			
Aid Capital improvements			
TOTAL			

01-05-2021