PREPARED BY: Keisha Patent DATE PREPARED: April 08, 2022 PHONE: 402-471-0059

LB 917

Revision: 02

FISCAL NOTE

Revised due to adoption of AM2587

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT - STATE AGENCIES (See narrative for political subdivision estimates)					
	FY 2022-23		FY 2023-24		
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE	
GENERAL FUNDS	\$202,931			(\$4,600,000)	
CASH FUNDS					
FEDERAL FUNDS					
OTHER FUNDS					
TOTAL FUNDS	\$202,931			(\$4,800,000)	

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

As amended by AM2587, LB 917 provides for tax credit for individual taxpayers, trusts and estates, and corporate taxpayers for tax years beginning January 1, 2023 and each year thereafter, for 10% of the wages paid by the taxpayer to an individual convicted of a felony in any state. The credit is allowed for the first 12 months of their employment, and the total deduction by any taxpayer cannot exceed \$20,000 in a tax year. The Department of Revenue will approve credits in the order in which applications are received, up to \$5,000,000.

REVENUE:

Even with the credit amount reduced by AM2587 from 25% to 10% of wages paid, the Department of Revenue estimates the cap for the credit will be reached in the first year based on data regarding the average wage and estimated number of eligible individuals. The estimated impact to the General Fund is as follows:

FY22-23 \$0

FY23-24 (\$4,600,000) FY23-24 (\$400,000)

EXPENDITURES:

The department estimates a one-time charge to OCIO of \$202,931 to implement the provisions of the bill.

There is no basis to disagree with these estimates.

State Agency Estimate						
State Agency Name: Department	of Revenue				Date Due LFO:	
Approved by: Tony Fulton		Date Prepared:	04/08/2022		Phone: 471-5896	
	FY 2022	FY 2022-2023		3-2024	FY 2024-2025	
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue
General Funds	\$202,931	\$ 0		(\$4,600,000)		(\$400,000)
Cash Funds						
Federal Funds						
Other Funds						
Total Funds	\$202,931	\$ 0		(\$4,600,000)		(\$400,000)

AM 2587 amends the final reading copy of LB 917. For taxable years beginning on or after January 1, 2023, LB 917 provides that an employer who employs an eligible employee during the taxable year may receive a nonrefundable credit against the income tax imposed by the Nebraska Revenue Act of 1967. AM 2587 amends LB 917 to provide that the credit will equal 10% (was 25%) of the wages paid by the employer to the eligible employee during the taxable year, except (a) it is only allowed with respect to wages paid during the first 12 months of an eligible employee's employment with the employer; and (b) the total credit taken for wages paid to any one eligible employee cannot exceed \$20,000. An eligible employee means an individual who has been convicted of a felony in Nebraska or any other state.

AM 2587 makes no other amendments. The final reading copy of LB 917 further provides that the employer must submit an application to the Nebraska Department of Revenue (DOR) on a form prescribed by DOR to apply for the credit. The application must include:

- The number of eligible employees employed by the employer during the taxable year;
- The amount of wages paid to each eligible employee during the taxable year; and
- Any other information required by DOR to verify the employer's eligibility for the credit.

DOR must consider the applications in the order received and may approve credits each year until the total amount of approved credits reaches \$5 million. Subject to this limit, if DOR determines the employer qualifies for the credit then DOR must approve the application and certify the amount of the approved credit to the employer.

DOR may adopt and promulgate rules and regulations.

The bill adds the above nonrefundable credit to the following statutes: Neb. Rev. Stat. §77-2715.07 for individual taxpayers; Neb. Rev. Stat. §77-2717 for estates and trusts; and Neb. Rev. Stat. §77-2734.03 for corporate taxpayers. The credit will not be available to flow-through entities such as S-Corps, Partnerships, or multi-member LLC as these entities are not subject to the income tax.

Major Objects of Expenditure							
Class Code	Classification Title	22-23 <u>FTE</u>	23-24 <u>FTE</u>	24-25 <u>FTE</u>	22-23 Expenditures	23-24 Expenditures	24-25 Expenditures
Benefits							
Operating Costs				\$202,931			
Travel							
Capital Improvements							
Total			• • • • • • • • • • • • • • • • • • • •		\$202,931		

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Fiscal Note

2022

The credit applies to taxable years beginning on or after January 1, 2023.

Using data labor market data on felons from The Brookings Institute, DOR estimates that LB 917 AM 2587 would reach the \$5 million program cap in the first year and reduce General Fund revenue as follows:

FY 2022-23	\$ 0
FY 2023-24	\$ 4,600,000
FY 2024-25	\$ 400,000

LB 917 AM 2587 will require a one-time programming charge of \$202,931 paid to the OCIO for the following: adding a line to the Schedule I, NebFile for individuals, forms 1041N and 1220N, and an online application to approve credits.