PREPARED BY: DATE PREPARED: PHONE: John Wiemer February 13, 2023 402-471-0051

LB 416

Revision: 00

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT - STATE AGENCIES (See narrative for political subdivision estimates)						
	FY 2023-24		FY 2024-25			
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE		
GENERAL FUNDS				(\$5,891,000)		
CASH FUNDS						
FEDERAL FUNDS						
OTHER FUNDS						
TOTAL FUNDS				(\$5,891,000)		

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

LB 416 seeks to make changes to the income of nonresident individuals. The bill replaces current language so that nonresident individuals' income includes when the individual's service is performed without this state for his or her convenience, but the service is directly related to a business, trade, or profession carried on within this state and, except for the individual's convenience, the service could have been performed within this state, provided that such individual must be present, in connection with such business, trade, or profession, within this state for more than 30 days during the taxable year in which the compensation is earned. These changes would become operative starting for taxable year 2024.

The Department of Revenue (DOR) estimates the following reduction to General Fund revenues from this bill:

- FY 23-24: \$ -
- FY 24-25: \$5,891,000
- FY 25-26: \$5,832,000
- FY 26-27: \$5,774,000

The DOR estimates no costs for it to implement the bill.

There is no basis to disagree with these estimates.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE					
LB: 416 AM: AGENCY/POLT. SUB: Department of Revenue			nent of Revenue		
REVIEWED B	Y: Neil Sullivan	DATE: 2/10/2023	PHONE: (402) 471-4179		
COMMENTS: The Department of Revenue assessment of fiscal impact from LB 416 appears reasonable.					

LB 0416 Fiscal Note 2023

State Agency Estimate						
State Agency Name: Department	t of Revenue				Date Due LFO:	
Approved by: Glen White	Date Prepared: FY 2023-2024		02/10/2023	2023 Phone: 471-5896		
			FY 2024-2025		FY 2025-2026	
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue
General Funds		-	1	(\$5,891,000)		(\$5,832,000)
Cash Funds						
Federal Funds						
Other Funds						
Total Funds		<u> </u>		(\$5,891,000)		(\$5,832,000)
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LB 416 amends Neb. Rev. Stat. § 77-2733(8)(c), defining Nebraska source income of nonresidents, to replace the current language and provides that Nebraska source income does not apply to a nonresident individual who is never present in Nebraska. Other sections of the Revenue Act provide for Nebraska source income when a nonresident performs services while present in the state.

Specifically, LB 416 provides that: compensation paid by a business, trade, or profession constitutes Nebraska source income of a nonresident if the individual's service is performed outside Nebraska for his or her convenience, but the service is directly related to a business, trade, or profession carried on in Nebraska and, except for the individual's convenience, the service could have been performed in Nebraska, provided that such an individual must be present, in connection with such business, trade, or profession, within Nebraska for more than 30 days during the taxable year in which the compensation is earned.

The Department of Revenue (DOR) estimates the following reduction in General Fund revenue for LB 416:

FY 2023-24	\$ -
FY 2024-25	\$ 5,891,000
FY 2025-26	\$ 5,832,000
FY 2026-27	\$ 5,774,000

It is estimated that there will be no costs to DOR to implement LB 416.

LB 416 becomes operative for tax years beginning on or after January 1, 2024.

Major Objects of Expenditure							
Class Code	Classification Title	23-24 <u>FTE</u>	24-25 <u>FTE</u>	25-26 <u>FTE</u>	23-24 Expenditures	24-25 Expenditures	25-26 Expenditures
Benefits							
Operating Costs							
Travel							
	s						
Total							