PREPARED BY: DATE PREPARED: PHONE: Doug Gibbs January 28, 2013 402-471-0051

LB 389

Revision: 00

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT - STATE AGENCIES (See narrative for political subdivision estimates)						
	FY 201	3-14	FY 2014-15			
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE		
GENERAL FUNDS	\$51,855	(\$2,600,000)		(\$2,600,000)		
CASH FUNDS						
FEDERAL FUNDS						
OTHER FUNDS						
TOTAL FUNDS	\$51,855	(\$2,600,000)		(\$2,600,000)		

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

LB 389 amends the Nebraska Revenue Act of 1967.

Section 77-2715.07 is amended for tax years beginning January 1, 2013 and thereafter, to provide tax credits for adoption and guardianship.

A credit against Nebraska income tax shall be available for fifty percent of the qualified costs paid or incurred by an individual taxpayer for the adoption or guardianship or any minor child who is a citizen or legal resident of the United States and who was in the custody of a public agency of Nebraska or a Nebraska political subdivision.

The credit shall be a <u>refundable credit</u> if the taxpayer claiming the credit has a federal adjusted gross income that does not exceed 250% of the federal poverty guideline. The credit shall be a <u>nonrefundable credit</u> if the taxpayer's federal adjusted gross income exceeds 250% of the federal poverty guideline. 250% of the current guideline is \$27,925.

The credit provided in LB 389 is capped at no more than \$4,000 per minor child and may be carried over until fully utilized. The credit is to be claimed for the tax year in which the decree or order of adoption or guardianship is entered.

The Department of Revenue estimates based on maximum utilization, that the annual fiscal impact to the General Fund would be a reduction of \$2,600,000.

The Department also estimates a one-time programming cost of \$51,855 paid to the Office of the CIO to add two lines to the Form 1040N, as well as to the NebFile system.

We agree with the Department's estimate of fiscal impact and cost.

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES						
LB: <mark>389</mark> AM:	AGENCY/PC	AGENCY/POLT. SUB: Dept. of Revenue				
REVIEWED BY: Lyn Heaton		DATE: 1/30/2013	PHONE: 402.471.4181			
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COMMENTS: No basis upon which to disagree with the Dept. of Revenue's analysis. The agency estimate assumes the number of taxpayers claiming the state credit will be consistent with the number that have claimed the federal adoption credit and that the state credit will not be seen as a financial incentive that will markedly increase the number of taxpayers choosing adoption or guardianship. The estimated operational cost to implement the bill appears reasonable.

LB 389 Fiscal Note 2013

State Agency Estimate								
State Agency Name: Department of Revenue				Date Due LFA:				
Approved by: Douglas Ewald	Date Prepared:				Phone: 471-5896			
	FY 2013-2014		FY 201	4-2015	FY 2015-2016			
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue		
General Funds	\$ 51,855	(\$ 2,600,000)		(\$ 2,600,000)		(\$ 2,600,000)		
Cash Funds								
Federal Funds								
Other Funds								
Total Funds	\$ 51,855	(\$ 2,600,000)		(\$ 2,600,000)		(\$ 2,600,000)		

LB 389 provides an income tax credit for costs associated with the adoption of or assuming guardianship of a minor who was in the custody of a public agency. Eligible expenses include fees charged by the Department of Health and Human Services or a licensed adoption agency, or travel or unreimbursed medical expenses, court costs, accounting fees, attorney's fees, or any other nonrecurring expenses not paid for by the state that are directly related to the adoption process or the guardianship. The credit is available in the year in which the adoption or guardianship order was granted and may include costs incurred in a prior year.

The credit is nonrefundable if the individual's federal adjusted gross income exceeds 250% of the federal poverty guidelines and may be carried forward until fully utilized. The credit is refundable if the individual's federal adjusted gross income does not exceed 250% of the federal poverty guidelines. The income tax credit is limited to \$4,000 per minor child.

Based on maximum utilization of the credit, it is estimated that the annual impact to the General Fund would be \$2.6 million.

LB 389 will require a one-time programming charge of \$51,855 paid to the OCIO to add two lines to the Form 1040N, as well as to the NebFile online filing system.

Major Objects of Expenditure							
Class Code	Classification Title	13-14 <u>FTE</u>	14-15 <u>FTE</u>	15-16 <u>FTE</u>	13-14 Expenditures	14-15 Expenditures	15-16 Expenditures
Benefits							
Operating Costs					\$ 51,855		
Travel							
Capital Outlay							
A 1 1							
	nts						
					\$ 51,855		