

**FISCAL NOTE**  
**LEGISLATIVE FISCAL ANALYST ESTIMATE**

<b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES</b> (See narrative for political subdivision estimates)				
	<b>FY 2013-14</b>		<b>FY 2014-15</b>	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$21,425	(\$1,654,000)		(\$3,341,000)
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
<b>TOTAL FUNDS</b>	<b>\$21,425</b>	<b>(\$1,654,000)</b>		<b>(\$3,341,000)</b>

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

LB 468 amends the Nebraska Revenue Act of 1967, Section 77-2716, to allow a reduction of federal adjusted gross income (AGI) for state income tax purposes.

For taxable years beginning on or after January 1, 2013, the bill would allow federal AGI to be decreased by the amount of eligible tuition paid by an individual taxpayer.

“Eligible tuition” is defined as an amount charged to undergraduate students to attend a Nebraska public or private, degree-granting postsecondary institution. This includes colleges, universities, community colleges, and trade schools. It does not include amounts paid for room, board, fees or books.

The deduction is allowed for the total amount of tuition paid by the taxpayer to obtain an undergraduate degree. There is no limit on the amount of time used to obtain the degree. A taxpayer may utilize the deduction for five years beginning with the year in which the undergraduate degree was completed. The deduction may not exceed twenty percent of the total amount of the deduction. The total deduction is calculated by determining the lesser of a) total amount of tuition that would have been paid to attend the University of Nebraska – Lincoln on a full-time basis during the years the taxpayer incurs the tuition costs OR b) the actual amount of tuition paid to obtain the degree.

Undergraduate tuition at the University of Nebraska – Lincoln is currently \$216 per credit hour. Most undergraduate degrees require 120 hours. The cost of tuition for an undergraduate degree at UNL, assuming the per credit hour cost does not change, would be \$25,920. Taken in increments of 20% as required by the bill would allow a maximum annual deduction of \$5,184.

The Department of Revenue assumes that individual taxpayers graduating in four years prior to 2013 could not take the deduction, thereby creating a five-year phase in of the full cost, that the maximum deduction is \$5,184 (as illustrated above), and that all tuition is paid directly by the student (individual taxpayer), meaning the General Fund fiscal impact shown below is a maximum.

2013-14:	(\$1,654,000)
2014-15:	(\$3,341,000)
2015-16:	(\$5,017,000)
2016-17:	(\$6,645,000)
2017-18:	(\$8,197,000)

The Department estimates a cost of \$21,425 for programming and development expenses from the Office of the CIO to implement the provisions of LB 468.

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

<b>ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY &amp; POLT. SUB. RESPONSES</b>		
LB: 468	AM:	AGENCY/POLT. SUB: Dept. of Revenue
REVIEWED BY: Lyn Heaton	DATE: 2/20/2013	PHONE: 402.471.4181
COMMENTS: No basis upon which to disagree with the Dept. of Revenue’s analysis given the stated assumptions. The Department’s estimate of the operational costs to implement the bill appear reasonable.		

**State Agency Estimate**

State Agency Name: Department of Revenue		Date Due LFA: 02/19/2013				
Approved by: Douglas Ewald		Date Prepared: 02/14/2013				
		Phone: 471-5896				
	<b>FY 2013-2014</b>		<b>FY 2014-2015</b>		<b>FY 2015-2016</b>	
	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>
General Funds	\$21,425	(\$1,654,000)		(\$3,341,000)		(\$5,017,000)
Cash Funds						
Federal Funds						
Other Funds						
Total Funds	\$21,425	(\$1,654,000)		(\$3,341,000)		(\$5,017,000)

LB 468 would amend Neb. Rev. Stat. § 77-2716 to allow for an adjustment decreasing federal adjusted gross income for tuition paid to obtain an undergraduate degree at a public or private college, university, community college, trade school, or any other degree-granting accredited institution located in this state for taxable years beginning or deemed to begin on or after January 1, 2013.

The deduction is allowed for the total amount of tuition paid by an individual taxpayer to obtain the degree, regardless of time required to obtain a degree, taken over five years in 20% increments beginning with the year the individual taxpayer obtains the degree. The total amount taken is limited to the lesser of the amount the individual taxpayer paid or the amount the taxpayer would have paid to attend the University of Nebraska-Lincoln as a full-time student during the years the individual taxpayer paid the tuition. The deduction is also limited to one undergraduate degree per individual taxpayer. The individual taxpayer taking the deduction must be the student that paid the tuition and earned the undergraduate degree.

To estimate the fiscal impact, we assumed that (1) individual taxpayers graduating in the four years prior to 2013 could not take the deduction, thus creating the five-year phase-in of the full cost that is shown; and (2) the maximum deduction is \$5,184 per year based on an in-state tuition rate of \$216 dollar per credit hour for a full-time student (12 credit hours) at the University of Nebraska-Lincoln for the 2012/13 school year, and it is assumed that all of the tuition is paid directly by the student (individual taxpayer), meaning the General Fund impact shown is a maximum.

Given these assumptions, LB 468 is expected to have the following impact on the General Fund:

<u>Fiscal Year</u>	<u>General Fund Impact</u>
2013-14	(\$1,654,000)
2014-15	(\$3,341,000)
2015-16	(\$5,017,000)
2016-17	(\$6,645,000)
2017-18	(\$8,197,000)

The Department estimates \$21,425 for programming and development expenses from the OCIO to implement LB 468.

