LB 870

Revision: 00 FISCAL NOTE LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)							
	FY 201	6-17	FY 2017-18				
EXPENDITURES		REVENUE	EXPENDITURES	REVENUE			
GENERAL FUNDS	\$89,846	(\$56,570,000)	\$27,673	(\$137,570,000)			
CASH FUNDS							
FEDERAL FUNDS							
OTHER FUNDS							
TOTAL FUNDS	\$89,846	(\$56,570,000)	\$27,673	(\$137,570,000)			

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

LB 870 amends the Nebraska Revenue Act of 1967 to provide a nonrefundable income tax credit to certain eligible individuals.

Eligible individuals are defined as someone who has earned either an associate degree or a bachelor's degree from an accredited education institution; completed the degree requirements in five consecutive calendar years or less; and upon graduation had a cumulative grade point average of 2.0 on a four-point scale or its equivalent.

Accredited institution means any nonprofit college, university, or vocational school.

The amount of the credit is as follows:

>	\$2,500	if AGI is less than \$120,000 for Married Filing Joint Return If AGI is less than \$60,000 for All Other Returns
۶	\$1,875	If AGI is more than \$120,000 but less than \$200,000 for Married Filing Joint Return If AGI is more than \$60,000 but less than \$100,000 for All Other Returns
۶	\$1,250	If AGI is more than \$200,000 but less than \$300,000 for Married Filing Joint Return If AGI is more than \$100,000 but less than \$150,000 for All Other Returns
۶	\$625	If AGI is more than \$300,000 but less than \$400,000 for Married Filing Joint Return If AGI is more than \$150,000 but less than \$200,000 for All Other Returns

The credit is available for the first five years following the individual's graduation, excluding any taxable year in which they attended a postgraduate program for the purpose of obtaining a postgraduate degree.

The Department of Revenue estimates the following fiscal impact to the General Fund as a result of LB 870:

FY2016-17:	(\$ 56,570,000)
FY2017-18:	(\$ 137,570,000)
FY2018-19:	(\$ 141,940,000)

The Department estimates the cost to implement the provisions of LB 870 will include a one-time programming charge of \$62,821 paid to the Office of the CIO to add a line to the Form 1040N, NebFile, and implement a tracking system. In addition, the Department will require a 0.5 FTE Auditor to administer the program. PSL for this position will be \$20,320 for FY16-17, \$20,807 for FY17-18, and \$21,307 for FY18-19.

We have no basis to disagree with the Department of Revenue's estimate of fiscal impact and cost.

Fiscal Note 2016

		State Agency	Esumate			
State Agency Name: Department of Revenue					Date Due LFA:	01/25/2016
Approved by: Tony Fulton Date Prepared:		01/25/2016		Phone: 471-5896		
	FY 2016-2017		FY 2017-2018		FY 2018-2019	
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue
General Funds	\$89,846	\$(56,570,000)	\$27,673	\$(137,570,000)	\$28,383	\$(141,940,000)
Cash Funds						
Federal Funds						
Other Funds						
Total Funds	\$89,846	\$(56,570,000)	\$27,673	\$(137,570,000)	\$28,383	\$(141,940,000)

State A man any Estimate

LB 870 provides a nonrefundable income tax credit for eligible graduates of accredited educational institutions. The credit is available to individuals who have 1) earned an associate or bachelor's degree from an accredited educational institution, 2) completed the requirements for such degree in five consecutive calendar years or less, and 3) maintained a minimum cumulative grade-point average of 2.0 on a four point scale. Eligible graduates may claim an income tax credit in an amount equal to:

1) \$2,500 if Federal AGI is a) \$120,000 or less for married, filing jointly taxpayers or b) \$60,000 or less for any other taxpayer

2) \$1,875 if Federal AGI is a) more than \$120,000 and not more than \$200,000 for married, filing jointly taxpayers or b) more than \$60,000 and not more than \$100,000 for any other taxpayer,

3) \$1,250 if Federal AGI is a) more than \$200,000 and not more than \$ 300,000 for married, filing jointly taxpayers or b) more than \$100,000 and not more than \$150,000 for any other taxpayer,

4) \$600 if Federal AGI is a) more than \$300,000 and not more than \$400,000 for married, filing jointly taxpayers or b) more than \$150,000 and not more than \$200,000 for any other taxpayer.

The credit is available for tax years beginning on or after January 1, 2017. Eligible individuals may claim the credit for the first five taxable years after graduation excluding any taxable year during which the individual attends a postgraduate program for the purposes of attaining a postgraduate degree.

The Department estimates the reduction to the General Fund revenues as follows:

FY 2016-2017	\$56,570,000
FY 2017-2018	\$137,570,000
FY 2018-2019	\$141,940,000

	Major Objects of Expenditure							
Class Code	Classification Title	16-17 FTE	17-18 FTE	18-19 <u>FTE</u>	16-17 Expenditures	17-18 Expenditures	18-19 Expenditures	
A21212	Auditor	0.5	0.5	0.5	\$20,320	\$20,807	\$21,307	
Benefits					\$6,705	\$6,866	\$7,031	
Operating Costs				\$62,821				
Capital Outlay								
	ents							
Total					\$89,846	\$27,673	\$28,383	

LB 685 would require a one-time programming charge of \$62,821 paid to the OCIO to add a line to the Form 1040N, NebFile, and implement a tracking system. The Department will require 0.5 FTE Auditor to administer this bill.