PREPARED BY: Douglas Gibbs
DATE PREPARED: February 13, 2018
PHONE: 402-471-0051

LB 914

Revision: 00

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)

	FY 2018-19		FY 2019-20	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	$57,746	$0	$0	($1,735,000)
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	$57,746	$0	$0	($1,735,000)

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

LB 914 amends Nebraska Revised Statutes Section 77-2715.07 to provide a nonrefundable income tax credit for premiums paid for a long-term care insurance policy issued on or after January 1, 2019.

The credit is to be equal to 25% of the premiums paid by a taxpayer, except the credit amount may not exceed $250 for premiums paid for an individual policy or $500 for a joint policy.

A taxpayer may claim the credit for a maximum of three years.

A taxpayer is ineligible for the tax credit if:

a) They paid long-term care insurance policy premiums prior to the first taxable year for which the credit is sought; OR
b) Another taxpayer is claiming a credit for the same long-term care insurance policy premium.

The credit may not be carried forward.

The Department of Revenue has provided the following information on the fiscal impact of LB 914: The Department assumes that, unlike LB 396 (2015), this bill denies the credit if the taxpayer has paid long-term care premiums in prior tax years. The Department assumes they will not have a database to check and deny credits to those with existing policies before processing. All compliance efforts are assumed to be on audit after the credits are initially allowed so there are no additional compliance costs due to this restrictions. The lost revenue estimate is based upon national statistics of the number of new policies sold per year.

Like LB 396 (2015), LB 914 is ambiguous as to whether the $250 or $500 credit limitation applies per taxpayer or per policy. This fiscal note assumes that the limitation applies per policy, so that if the taxpayer, for example, is paying premiums for both a joint policy for the taxpayer and spouse and an individual policy for a surviving parent, the taxpayer is eligible for credits totaling $750.

The Department of Revenue estimates the following fiscal impact to the General Fund:

FY2018-19:	$ 0
FY2019-20:	($ 1,735,000)
FY2020-21:	($ 1,804,000)
FY2021-22:	($ 1,876,000)
FY2022-23:	($ 1,951,000)

The Department of Revenue estimates a one-time development cost paid to the Office of the CIO of $57,746 to implement the provisions of LB 914.

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

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 914	AM:	AGENCY/POLT. SUB: Dept. of Revenue
REVIEWED BY: Lyn Heaton	DATE: 2/16/2018	PHONE: (402) 471-4181
COMMENTS: No basis upon which to disagree with the Department of Revenue's analysis.		

LB 914 Fiscal Note 2018

State Agency Estimate

State Agency Name: Department of Revenue				Date Due LFA:	2/16/2018
Approved by: Tony Fulton		Date Prepared:	2/15/2018	Phone: 471-5896	

	FY 2018-2019		FY 2019-2020		FY 2020-2021	
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue
General Funds	$57,746	$ 0	$ 0	($1,735,000)	$ 0	($1,804,000)
Cash Funds						
Federal Funds						
Other Funds						
Total Funds	$57,746	$ 0	$ 0	($1,735,000)	$ 0	($1,804,000)

LB 914 provides all individuals a nonrefundable income tax credit on 25% of qualifying premiums paid during the taxable year on long-term care insurance policies issued on or after January 1, 2019. The credit may not exceed the lesser of $250 for premiums paid on an individual policy, or $500 for premiums paid on a joint policy. The credit may be claimed for 3 years and for premiums paid on insurance policies for the taxpayer, the taxpayer's spouse, parent, immediate family member, or a dependent for which the taxpayer was allowed to deduct a personal exemption for the taxable year. Any unused tax credit may not be carried forward to the taxpayer's succeeding tax years.

A taxpayer is not entitled to the credit if the long-term care insurance policy premiums were paid prior to the first taxable year for which the credit is sought or another taxpayer is claiming a tax credit for the same long-term care insurance policy premiums.

The bill's operative date is January 1, 2019.

Unlike LB 396 (2015) LB 914 denies the tax credit if the taxpayer has paid long-term care premiums in prior tax years. This fiscal note assumes that the Department will not have a database to check and deny credits to those with existing policies before processing. All compliance efforts are assumed to be on audit after the credits are initially allowed so there are no additional compliance costs due to this restriction. The lost revenue estimate is based upon national statistics of the number of new policies sold per year.

Like LB 396 (2015) LB 914 is ambiguous as to whether the $250 or $500 limitation applies per taxpayer or per policy. This fiscal note assumes that the limitation applies per policy, so that if a taxpayer, for example, is paying premiums for both a joint policy for the taxpayer and spouse and an individual policy for a surviving parent, the taxpayer is eligible for credits totalling $750.

Major Objects of Expenditure

Class Code	Classification Title	18-19 FTE	19-20 FTE	20-21 FTE	18-19 Expenditures	19-20 Expenditures	20-21 Expenditures
Benefits……							
Operating Costs……					$57,746		
Travel……							
Capital Outlay……							
Capital Improvements……							
Total……					$57,746		

The estimated reductions to General Fund revenues are as follows:

FY18-19	$	-
FY19-20	$	1,735,000
FY20-21	$	1,804,000
FY21-22	$	1,876,000
FY22-23	$	1,951,000

The Department estimates a one-time OCIO development cost of $57,746 in order to implement the bill.