

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	\$111,317			
CASH FUNDS		See Below		See Below
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$111,317	See Below		See Below

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

LB 1016 creates the Money Transmission Fee Act and provides for an income tax credit.

The bill imposes a fee on the transmission of money or monetary value to a location in another state or a location outside of the United States by any and all means, including, but not limited to, an order, wire, facsimile, or electronic transfer, except that such term shall not include a financial institution transmitting money or monetary value from an account or on behalf of a depositor.

The fee is to be collected from individuals on each transaction but no fee is to be collected on money transactions completed for a corporation, limited liability company, partnership, or any other business entity.

The amount of the fee is:

- \$5.00 if the amount of the transaction is no more than \$166.66;
- 3% of the amount transmitted if the amount is more than \$166.66.

Financial institutions collecting the fee may keep 2% of the total amount of fees collected each quarter, not to exceed \$500. They are to remit the remainder to the State Treasurer for credit to the Property Tax Credit Cash Fund.

The bill also creates a nonrefundable income tax credit for individuals who have paid the money transmission fee. For tax years beginning on or after January 1, 2019 the credit is the amount of such fees paid during the tax year.

The bill has an operative date of January 1, 2019.

The Department of Revenue may adopt and promulgate rules and regulations to carry out the purposes of the Act.

The Department of Revenue has provided the following information regarding LB 1016: Under its current form, an individual with an account with the financial institution will not pay the fee for money transmission transactions. Furthermore, an individual without an account with any financial institution can transmit money by going to Western Union, or purchase a money order from the Post Office and thereby avoid the fee under the LB 1016 because neither Western Union nor the Post Office are financial institutions as defined in Section 8-101.03. Thus, the Department of Revenue estimates that LB 1016 in its current form will result in a minimal increase to the Property Tax Credit Cash Fund.

The Department of Revenue also indicates that if the bill was amended to include Western Union, the Post Office, and other non-financial institutions that engage in money transmission, then the Department estimates the following fiscal impact to the Property Tax Credit Cash Fund:

FY2018-19:	\$ 2,973,000
FY2019-20:	\$ 11,957,000
FY2020-21:	\$ 12,043,000
FY2021-211:	\$ 12,129,000

The Department also assumes that the non-refundable income tax credit would be used sparingly due to the small or zero Nebraska tax liability of most individual who do not have a bank account even if the bill were amended to include non-financial institutions.

Notwithstanding the utilization of LB 1016, the Department of Revenue indicates they will require a one-time charge of \$111,317 paid to the Office of the CIO for mainframe and web development costs. The OCIO also estimates one year 1.0 FTE Application Developer/Senior needed to process any reports and make the required information available on the mainframe.

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

We do disagree with the Department of Revenue's estimate of cost in that we do not believe they will require the 1.0 FTE Application Developer/Senior position.

The Department of Banking indicates no fiscal impact as a result of the provisions of LB 1016.

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

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 1016	AM:	AGENCY/POLT. SUB: Revenue
REVIEWED BY: Lyn Heaton	DATE: 2/20/2018	PHONE: (402) 471-4181
COMMENTS: No basis upon which to disagree with the Department of Revenue's analysis.		

State Agency Estimate

State Agency Name: Department of Revenue		Date Due LFA: 2/20/2018				
Approved by: Tony Fulton		Phone: 471-5896				
Date Prepared: 2/16/2018						
	FY 2018-2019		FY 2019-2020		FY 2020-2021	
	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>
General Funds	\$205,017	Minimal		Minimal		Minimal
Cash Funds		minimal		Minimal		Minimal
Federal Funds						
Other Funds						
Total Funds	\$205,017	See below		See below		See below

LB 1016 creates the Money Transmission Fee Act.

The bill defines money transmission as “transmitting money or monetary value to a location in another state or a location outside of the United States by any and all means, including, but not limited to, an order, wire, facsimile, or electronic transfer, except that such term shall not include a financial institution transmitting money or monetary value from an account or on behalf of a depositor.”

The bill requires a financial institution to collect a fee on each money transmission transaction completed for an individual. Financial institution is defined by a reference to Neb. Rev. Stat. § 8-101.03 and refers to institutions regulated by the Department of Banking. Corporations, LLCs, partnerships, and other business entities are exempt from collecting the fee on money transmission transactions.

The fee is \$5 if the transaction is no more than \$166.66, or 3% of the amount transmitted if the amount of the transaction is more than \$166.66.

Financial institutions are to remit fees collected under this bill to the Department on a quarterly basis along with a report summarizing the money transactions that occurred during the quarter. The Department remits all fees collected to the State Treasurer for credit to the Property Tax Credit Cash Fund.

Financial institutions are allowed to deduct and retain 2% of the total amount of fees collected each quarter, not to exceed \$500.

Individuals for whom the money transmission transaction is made are given a receipt that states the fee assessed and provides information about how they may be entitled to an income tax credit for the amount of the fee paid.

The bill allows a nonrefundable credit against the individual income tax for the amount of fees paid by the individual under the Money Transmission Fee Act during the year.

Under current form of LB 1016, an individual with an account with the financial institution will not pay the fee for money transmission transactions. Furthermore, an individual without an account with any financial institution can transmit money by going to Western Union, or purchase a money order from the Post Office and thereby avoid the fee under LB 1016 because neither Western Union nor the Post Office are financial institutions as defined in § 8-101.03. Thus, the Department estimates that LB 1016 in its current form will result in a minimal increase to the Property Tax Credit Cash Fund.

On the other hand, if the bill were amended to include Western Union, the Post Office, and other non-financial institutions that engage in money transmission transactions, then the Department estimates the following increases to the Property Tax Credit Cash Fund.

Fiscal Year	Property Tax Credit Cash Fund
2018-2019	\$ 2,973,000
2019-2020	\$ 11,957,000
2020-2021	\$ 12,043,000
2021-2022	\$ 12,129,000

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2018

LB⁽¹⁾ 1016

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Department of Banking & Finance

Prepared by: ⁽³⁾ Margo Sawyer Date Prepared: ⁽⁴⁾ 1/17/18 Phone: ⁽⁵⁾ 471-4954

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2018-19</u>		<u>FY 2019-20</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	=====	=====	=====	=====

Explanation of Estimate:

No Fiscal Impact

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2018-19 EXPENDITURES</u>	<u>2019-20 EXPENDITURES</u>
	<u>18-19</u>	<u>19-20</u>		
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____