PREPARED BY: DATE PREPARED: PHONE: Keisha Patent February 03, 2020 402-471-0059

**LB 891** 

Revision: 00

## **FISCAL NOTE**

**LEGISLATIVE FISCAL ANALYST ESTIMATE** 

ESTIMATE OF FISCAL IMPACT - STATE AGENCIES (See narrative for political subdivision estimates)						
	FY 2020-21		FY 2021-22			
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE		
GENERAL FUNDS	\$59,540		\$21,600	(\$30,190,000)		
CASH FUNDS						
FEDERAL FUNDS						
OTHER FUNDS						
TOTAL FUNDS	\$59,540		\$21,600	(\$30,190,000)		

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

LB 891 amends the Revenue Act of 1967 to allow a nonrefundable tax credit against individual income tax if an individual's income included overtime pay. The credit equals 6.84% of the amount of overtime pay included in wages. The bill defines "overtime pay" and "reported wages." The credit is available for tax years beginning on or after January 1, 2021.

## Revenue:

The Department of Revenue estimates revenue to the General Fund as follows:

FY 2020-2021	\$0
FY 2021-2022	(\$30,190,000)
FY 2022-2023	(\$31,125,000)

## **Expenditures:**

The department estimates a one-time programming charge of \$59,490 to OCIO for mainframe and web development changes and expenditures for 0.5 FTE Revenue Operations Clerk II beginning in FY 21-22.

There is no basis to disagree with these estimates.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE					
LB: 891	AM:	AGENCY/POLT. SUB: Department of Revenue			
REVIEWED BY:	Lee Will	DATE: 02/03/2020	PHONE: (402) 471-4175		
COMMENTS: The Department of Revenue's assessment of fiscal impact seems reasonable given the assumptions used.					

LB 891 Fiscal Note 2020

State Agency Estimate							
State Agency Name: Department	of Revenue			]	Date Due LFA:		
Approved by: Tony Fulton	Date Prepared:			Phone: 471-5896			
	FY 2020-2021		FY 2021	FY 2021-2022		FY 2022-2023	
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue	
General Funds	\$59,490	\$0	\$21,600	(\$30,190,000)	\$22,100	(\$31,125,000)	
Cash Funds							
Federal Funds							
Other Funds							
Total Funds	\$59,490	\$0	\$21,600	(\$30,190,000)	\$22,100	(\$31,125,000)	

LB 891 provides a nonrefundable individual income tax credit for individuals equal to 6.84% of the overtime pay included in the individual's reported wages for the tax year. Under the bill, overtime pay means compensation paid to an individual for hours worked over 40 hours in a workweek and that are paid at a rate equal to at least 1.5 times the individual's regular pay rate. Reported wages means the total amount of wages, tips, or other compensation paid to the individual during the tax year as reported on the individual's federal Form W-2.

LB 891 is operative for tax years beginning on or after January 1, 2021.

The Department utilized data from the Bureau of Labor Statistics on the average number of weekly overtime hours by manufacturers, which is 3.2 hours. With manufacturing being the prominent sector for overtime work, the Department utilized this sector's data and estimated roughly \$428 million in overtime pay in Nebraska in 2019. Although the credit is nonrefundable, the Department believes individuals, who work overtime, will be able to utilize the full credit against their tax liability. The estimated reduction to General Fund Revenues is as follows:

FY 2020-2021	\$ -
FY 2021-2022	\$ 30,190,000
FY 2022-2023	\$ 31,125,000

LB 891 requires a one-time programming charge of \$59,490 paid to the OCIO for mainframe and web development changes. The Department would require 0.5 FTE Revenue Operations Clerk II beginning in FY 2021-2022 to implement this bill.

Major Objects of Expenditure							
Class Code R29112	Classification Title Revenue Operations Clerk II	20-21 FTE 0.0	21-22 <u>FTE</u> 0.5	22-23 <u>FTE</u> 0.5	20-21 Expenditures \$0	21-22 <u>Expenditures</u> \$16,200	22-23 <u>Expenditures</u> \$16,600
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Benefits					\$0	\$5,400	\$5,500
Operating Costs.				\$59,490			
Travel							
Capital Outlay							
	ents						
					\$59,490	\$21,600	\$22,100