

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

<b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)</b>				
	<b>FY 2020-21</b>		<b>FY 2021-22</b>	
	<b>EXPENDITURES</b>	<b>REVENUE</b>	<b>EXPENDITURES</b>	<b>REVENUE</b>
GENERAL FUNDS		(\$77,422,000)		(\$150,324,000)
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
<b>TOTAL FUNDS</b>		(\$77,422,000)		(\$150,324,000)

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

LB 1203 amends the Revenue Act of 1967 to clarify adjustments to federal adjusted gross income (AGI), or, for corporations and fiduciaries, federal taxable income, related to certain dividends. The bill specifies that dividends deemed to be received includes certain dividends under I.R.C. section 951(a), including repatriated foreign earnings, and income included in federal income net of the deduction in I.R.C. section 250(a)(1)(B), and such are subtracted from federal AGI or federal taxable income.

LB 1203 states the changes apply to tax returns filed prior to, on, or after the effective date of the act.

**Revenue:**

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

	GF Revenue due to 951(a)	GF Revenue due to GILTI net of FDII	Total GF Revenue
FY20-21	(\$74,406,000)	(\$3,016,000)	(\$77,422,000)
FY21-22	(\$141,439,000)	(\$8,885,000)	(\$150,324,000)
FY22-23	(\$52,286,000)	(\$11,591,000)	(\$63,877,000)
FY23-24	(\$0)	(\$12,742,000)	(\$12,742,000)

**Expenditures:**

The department estimates minimal cost to implement the bill.

There is no basis to disagree with these estimates.

<b>ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY &amp; POLT. SUB. RESPONSE</b>			
LB: 1203	AM:	AGENCY/POLT. SUB: Department of Revenue	
REVIEWED BY: Lee Will	DATE: 02/10/2020	PHONE: (402) 471-4175	
COMMENTS: No basis to disagree with the Department of Revenue's assessment of revenue loss to the General Fund.			

State Agency Estimate

Table with columns for State Agency Name (Department of Revenue), Date Due LFA (2/7/2020), Approved by (Tony Fulton), Date Prepared, Phone (471-5896), and a detailed breakdown of Expenditures and Revenue for FY 2020-2021, FY 2021-2022, and FY 2022-2023 across General, Cash, Federal, and Other Funds.

LB 1203 adds to the definition of foreign dividends deemed to be received for purposes of the subtraction from federal adjusted gross income and federal taxable income in Neb. Rev. Stat. § 77-2716. LB 1203 includes in the definition of dividends, income included in federal income under IRC § 951(a), which includes foreign earnings deemed repatriated by the Tax Cuts and Jobs Act of 2017, IRC § 965, and income included in federal income under IRC § 951A (Global Intangible Low-Taxed Income, or GILTI) net of the IRC § 250(a)(1)(B) deduction (Foreign Derived Intangible Income or FDII).

The existing language of LB 1203 requires the exclusion of the IRC § 965(a) amount without the IRC § 951(c) deduction, which would provide taxpayers with a deduction much greater than the amount repatriated under the Tax Cuts and Jobs Act. The IRC § 965(c) amount is already subtracted when calculating the federal taxable income and therefore not included in the Nebraska tax base.

Table with 4 columns: Year (FY20-21 to FY23-24), GF Revenue Reduction due to 951(a), GF Revenue Reduction due to GILTI net of FDII, and Total GF Revenue Reduction. Shows values in dollars for each year.

It is estimated that there will be minimal costs to the Department of Revenue to implement this bill.

Major Objects of Expenditure

Table with 9 columns: Class Code, Classification Title, FTE for 20-21, 21-22, 22-23, and Expenditures for 20-21, 21-22, 22-23. Rows include Benefits, Operating Costs, Travel, Capital Outlay, Capital Improvements, and a Total row.