

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2021-22		FY 2022-23	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$272,175	\$0	\$28,000	(\$1,420,000)
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$172,175	\$0	\$28,000	(\$1,420,000)

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

LB 69 seeks to establish the Student Loan Repayment Tax Credit Act. It is to be administered through the Department of Revenue and creates a non-refundable business income tax credit for qualifying employer contributions to employee student loans. Qualifying employees must meet the following requirements:

- Employed for at least 480 hours during the taxable year;
- Graduated from a postsecondary educational institution;
- Received a student loan to attend a postsecondary educational institution.

Employers that help make payments towards their eligible employee's student loans would qualify for an income tax credit equal to half of the student loan payment amount, up to \$1800 per employee for which the employer had made a payment in a given tax year. Employers are limited to receiving credit for repaying loans for up to 20 employees.

The Department of Revenue shall be able to approve up to \$1.5 million in tax credits each calendar year. Furthermore, at least 25% of the credits must go to businesses with fewer than 30 employees or that are not located in a city of the metropolitan class. LB 69 also requires that the Department of Revenue submit a report on or before July 1 of each year starting in 2023, detailing to the Governor and the Legislature various statistics regarding the Student Loan Repayment Tax Credit.

The Department of Revenue estimates that the tax credit would be fully utilized if enacted. This would create a yearly revenue loss of \$1.5 million, although the loan payments by each employee would be considered taxable income. This revenue gain would offset the revenue loss slightly, equally a net revenue loss of \$1.42 million per year beginning in FY2022-23. There is no basis to disagree with these estimates.

The Department of Revenue expects a one-time OCIO programming charge of \$272,175 to implement LB 69. Furthermore, the Department of Revenue will need to hire a 0.5 FTE Fiscal Compliance Analyst to help administer the tax credit beginning in 2022. There is no basis to disagree with these estimates.

LB 69 would become operative January 1, 2022.

State Agency Estimate

State Agency Name: Department of Revenue				Date Due LFO:			
Approved by: Tony Fulton				Date Prepared: 1/25/2021		Phone: 471-5896	
	FY 2021-2022		FY 2022-2023		FY 2023-2024		
	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>	
General Funds	\$272,175	\$0	\$28,000	(\$1,420,000)	\$28,600	(\$1,420,000)	
Cash Funds							
Federal Funds							
Other Funds							
Total Funds	\$272,175	\$0	\$28,000	(\$1,420,000)	\$28,600	(\$1,420,000)	

LB 69 adopts the Student Loan Repayment Tax Credit Act (Act). For taxable years beginning on or after January 1, 2022, the Act grants a nonrefundable tax credit against the income tax of employers who repay the principal and interest on student loans of qualified employees. The credit equals 50% of the student loan repayments, up to a maximum credit of \$1,800 per employee for up to 20 employees per taxable year.

Under the Act, employer means any individual, partnership, limited liability partnership, limited liability company, association, corporation, business trust, legal representative, or other business entity that (a) employs one or more qualified employees in this state, (b) is subject to income tax under the Nebraska Revenue Act of 1967, and (c) is physically located in this state. Qualified employees are individuals who graduated with a two or four-year degree of certification from a postsecondary educational institution, incurred a student loan while attending the institution, and worked at least 480 hours for the employer in the state during the taxable year. Postsecondary institutions are two or four-year colleges or universities, and are members of an accrediting body recognized by the U.S. Department of Education. A student loan means a loan for postsecondary expenses that is made, insured, or guaranteed under the federal Higher Education Act of 1965 or the federal Public Health Services Act.

Beginning January 1, 2022, employers planning to make student loan repayments of qualified employees may apply for credits with the Department. The application must be filed on a form prescribed by the Department, and must contain: (a) the name and address of the employer, (b) the total number of employees of the employer, (c) the number of qualified employees for whom student loan repayments will be made in the taxable year for which a credit is sought, (d) the amount of student loan repayment anticipated to be made for each qualified employee, (e) the total amount of credits sought for such taxable year, and (f) any other documentation required by the Department.

The Department must consider applications in the order received and may approve no more than \$1.5 million in credits in a calendar year. At least 25% of the credits must go to employers with 30 or fewer employees, or employers located in a city of the first or second class or a village. If the Department finds the employer qualifies, the Department must (a) approve the application, (b) authorize tentative credits to the employer within the limits set forth by the Act, and (c) certify the amount of tentative credits approved to the employer.

Major Objects of Expenditure

Class Code	Classification Title	21-22	22-23	23-24	21-22	22-23	23-24
		FTE	FTE	FTE	Expenditures	Expenditures	Expenditures
A21211	Fiscal Compliance Analyst	0.0	0.5	0.5	\$0	\$21,100	\$21,500
	Benefits.....				\$0	\$6,900	\$7,100
	Operating Costs.....				\$272,175		
	Travel.....						
	Capital Outlay.....						
	Capital Improvements.....						
	Total.....				\$272,175	\$28,000	\$28,600

Employers with an approved application are entitled to claim credits to the extent the employer actually makes the student loan repayments sought in the application, but not exceeding the amount of approved tentative credits. Employers cannot use credits to reduce tax liability below zero. However, any credits claimed but not used in a taxable year may be carried forward. Employers must claim the credits by filling the form developed by the Tax Commissioner, and attaching the certification received from the Department.

The Tax Commissioner must submit a report to the Governor and an electronic report to the Legislature on the Act by July 1 of each year beginning July 1, 2023.

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

The credit is expected to be fully utilized, however, the loan repayment would be considered taxable income to the employee, partially offsetting the revenue loss due to the credit.

The Department estimates this bill will have the following impact:

Fiscal Year	Student Loan Repayment Tax Credit Act
FY 2021-2022	\$ -
FY 2022-2023	\$ (1,420,000)
FY 2023-2024	\$ (1,420,000)
FY 2024-2025	\$ (1,420,000)

LB 69 would require a one-time programming charge of \$272,175 paid to the OCIO to implement this bill. The Department would also require 0.5 FTE Fiscal Compliance Analyst to administer this bill after it has been fully implemented.