

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	\$29,400	(\$107,314,000)		(\$53,822,000)
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$29,400	(\$107,314,000)		(\$53,822,000)

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

LB 347 seeks to add a definition to dividends received as federal income. Under LB 347, the following is deducted from federal adjusted gross income or federal taxable income:

- Dividends received under section 951(a) of the IRC net the deduction under section 965(c) of the IRC; and
- Dividends received under section 951A of the IRC net the deduction under section 250(a)(1)(B) of the IRC.

The changes made by LB 347 are effective for all tax returns filed prior to its passing as well as any returns made thereafter.

Revenue:

The Department of Revenue estimates the following impact to General Fund revenues for 951(a) net 965(c):

- FY21-22: (\$98,429,000)
- FY22-23: (\$42,231,000)
- FY23-24: \$0
- FY24-25: \$0

The Department of Revenue estimates the following impact to General Fund revenues for 951A net 250(a)(1)(B):

- FY21-22: (\$8,885,000)
- FY22-23: (\$11,591,000)
- FY23-24: (\$11,549,000)
- FY24-25: (\$11,828,000)

To total impact to General Fund revenues is as follows:

- FY21-22: (\$107,314,000)
- FY22-23: (\$53,822,000)
- FY23-24: (\$11,549,000)
- FY24-25: (\$11,828,000)

There is no basis to disagree with these estimates.

Expenditures:

The Department of Revenue estimates the need for a 0.5 FTE Auditor during FY21-22 to aid in the reviewing and adjusting of amended tax returns due to LB 347. There is no basis to disagree with this estimate.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB: 347	AM:	AGENCY/POLT. SUB: Department of Revenue	
REVIEWED BY: Lee Will	DATE: 02/23/2021	PHONE: (402) 471-4175	
COMMENTS: No basis to disagree with the Department of Revenue's assessment of decreased revenue to the General Fund with the definition of foreign dividends received subtracted from the federal adjusted gross income (AGI) and federal taxable income.			

State Agency Estimate

State Agency Name: Department of Revenue

Date Due LFO:

Approved by: Tony Fulton

Date Prepared: 2/22/2021

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	\$29,400	(\$107,314,000)	\$0	(\$53,922,000)	\$0	(\$11,549,000)
Cash Funds						
Federal Funds						
Other Funds						
Total Funds	\$29,400	(\$107,314,000)	\$0	(\$53,922,000)	\$0	(\$11,549,000)

LB 347 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 347 includes in the definition of dividends, income included in federal income under IRC § 951(a) net of the deduction under IRC § 965(c), which includes foreign earnings deemed repatriated by the Tax Cuts and Jobs Act of 2017, IRC § 965. It also includes in the definition of dividend, income included in federal income under IRC § 951A (Global Intangible Low-Taxed Income, or GILTI) net of the IRC § 250(a)(1)(B) deduction. LB 347 applies to tax returns filed prior to, on, or after the effective date of LB 347. This in effect excludes from taxation, all Subpart F income under IRC § 951(a), IRC § 965(a) income and GILTI net of IRC § 250(a)(1)(B).

The estimated reduction to General Fund revenues for the IRC § 951(a) net of deduction under IRC § 965(c) and for the IRC § 951A (GILTI) net of § 250(a)(1)(B) are as follows:

	GF Revenues Reduction due to 951 Net	GF Revenues Reduction due to GILTI net of 250(a)(1)(B)	Total GF Revenues Reduction
FY21-22	\$ 98,429,000	\$ 8,885,000	\$ 107,314,000
FY22-23	\$ 42,231,000	\$ 11,591,000	\$ 53,822,000
FY23-24	\$ -	\$ 11,549,000	\$ 11,549,000
FY24-25	\$ -	\$ 11,828,000	\$ 11,828,000

The Department of Revenue will need 0.5 FTE of Auditor in FY2021-22 only for the 965 adjustments and to review amended tax returns filed for this issue.

Major Objects of Expenditure

<u>Class Code</u>	<u>Classification Title</u>	21-22	22-23	23-24	21-22	22-23	23-24
		<u>FTE</u>	<u>FTE</u>	<u>FTE</u>	<u>Expenditures</u>	<u>Expenditures</u>	<u>Expenditures</u>
A21212	Auditor	0.5	0	0	\$22,100	\$0	\$0
	Benefits.....				\$7,300		
	Operating Costs.....						
	Travel.....						
	Capital Outlay.....				\$0		
	Capital Improvements.....						
	Total.....				\$29,400	\$0	\$0