

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

<b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)</b>				
	<b>FY 2022-23</b>		<b>FY 2023-24</b>	
	<b>EXPENDITURES</b>	<b>REVENUE</b>	<b>EXPENDITURES</b>	<b>REVENUE</b>
GENERAL FUNDS				(\$20,152,000)
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
<b>TOTAL FUNDS</b>				(\$20,152,000)

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

LB 936 amends provisions related to the definition of nonresident income.

Beginning in taxable years on or after January 1, 2023, compensation received by a business is redefined. First, the individual must have been present in the state for more than 12 days, earning more than \$3,000 in gross income for the taxable year. LB 936 provides that for the following services listed, up to 24 days of work will not be counted towards the 12 day threshold. These services include:

- Presenting or receiving employment-related training;
- Site inspection or supervision by a representative of a company not based in Nebraska that owns or is a parent company for a company or facility based in Nebraska;
- Research or development at a facility in Nebraska regarding new or upgraded equipment; and
- Working on the attraction or implementation of new investment at a Nebraska-based facility.

**REVENUE:**

The Department of Revenue estimates the following impact to the General Fund:

FY22-23:	\$0
FY23-24:	(\$20,152,000)
FY24-25:	(\$21,536,000)
FY25-26:	(\$22,935,000)

**EXPENDITURES:**

The department estimates no 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: 936	AM:	AGENCY/POLT. SUB: Department of Revenue
REVIEWED BY: Neil Sullivan	DATE: 2/17/2022	PHONE: (402) 471-4179
COMMENTS: The Department of Revenue assessment of fiscal impact from LB 936 appears reasonable.		

**State Agency Estimate**

State Agency Name: Department of Revenue		Date Due LFO:			
Approved by: Tony Fulton		Phone: 471-5896			
Date Prepared: 2/17/2022					
<b>FY 2022-2023</b>		<b>FY 2023-2024</b>		<b>FY 2024-2025</b>	
<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>
General Funds	\$ 0	\$ (20,152,000)		\$ (21,536,000)	
Cash Funds					
Federal Funds					
Other Funds					
<b>Total Funds</b>	<b>\$ 0</b>	<b>\$ (20,152,000)</b>		<b>\$ (21,536,000)</b>	

LB 936 amends section § 77-2733(8) to change what constitutes nonresident income derived from sources in Nebraska for taxable years beginning on or after January 1, 2023. For compensation paid by a business, trade, or profession, the bill provides that such compensation is derived from sources in Nebraska if the individual is present in Nebraska performing personal services for more than 12 days during the taxable year and directly earns or derives more than \$3,000 in gross income during the year in Nebraska from all sources.

For up to 24 days during a taxable year, the following will not be counted toward the 12-day threshold:

- Personal services performed in connection with presenting or receiving employment-related training or education;
- Personal services performed in connection with a site inspection, review, analysis of management, or any other supervision of a facility, affiliate, or subsidiary based in Nebraska by a representative from a company, not headquartered in Nebraska, that owns that facility or is the parent company of the affiliate or subsidiary;
- Personal services performed in connection with research and development at a facility based in Nebraska or in connection with installing new or upgraded equipment or systems at that facility; or
- Personal services performed as part of a project team working on the attraction or implementation of new investment in a facility based in Nebraska.

To estimate the fiscal impact, The Department of Revenue (DOR) assumes 10% of nonresident tax liability as revenue foregone as a result of LB 936. With that assumption, the fiscal impact of LB 936 as follows:

FY2022-23	\$ -
FY2023-24	\$ (20,152,000)
FY2024-25	\$ (21,536,000)
FY2025-26	\$ (22,935,000)

It is estimated that there will be no costs to DOR to implement this bill.

<b>Major Objects of Expenditure</b>							
<u>Class Code</u>	<u>Classification Title</u>	<u>22-23 FTE</u>	<u>23-24 FTE</u>	<u>24-25 FTE</u>	<u>22-23 Expenditures</u>	<u>23-24 Expenditures</u>	<u>24-25 Expenditures</u>
	Benefits.....						
	Operating Costs.....						
	Travel.....						
	Capital Outlay.....						
	Capital Improvements.....						
	<b>Total.....</b>						