

FISCAL NOTE
 LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2024-25		FY 2025-26	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS				

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

LB 1059 would make changes to provisions connected to the pass-through entity tax (PTET).

The bill would add language that for tax years beginning on or after January 1, 2023 a PTET election can be made on an income tax return.

The bill would limit the add-back to determine the sum of the entity's pro rata or distributive share of income and computing the specified tax so that an electing entity would need to add back any amount of Nebraska income tax imposed and deducted by the entity for federal income tax purposes under section 164 of the Internal Revenue Code.

The bill would add that for tax returns filed for taxable years beginning on or after January 1, 2022 the refundable credit available to partners or shareholders in an amount equal to their pro rata or distributive share of the Nebraska income tax paid by the electing entity would be allowed for the same taxable year for which the election is made without regard to the year in which the tax is paid to Nebraska or deducted on a federal income tax return.

Finally, the bill adds requirements for income tax notices of deficiency. The notice would need to include a written statement containing the details of the facts, circumstances, and reasons the Tax Commissioner used to determine the amount of tax shown on the return is less than the correct amount.

The Department of Revenue (DOR) estimates no impact to General Fund revenues and minimal costs to it as a result of the bill.

There is no basis to disagree with these estimates.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB: 1059	AM:	AGENCY/POLT. SUB: Department of Revenue	
REVIEWED BY: Neil Sullivan	DATE: 1/23/2024	PHONE: (402) 471-4179	
COMMENTS: The Department of Revenue assessment of minimal fiscal impact from LB 1059 appears reasonable.			

State Agency Estimate

State Agency Name: Department of Revenue

Date Due LFO:

Approved by: James R. Kamm

Date Prepared: 01/22/2024

Phone: 471-5896

	FY 2024-2025		FY 2025-2026		FY 2026-2027	
	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>
General Funds		\$ 0		\$ 0		\$ 0
Cash Funds						
Federal Funds						
Other Funds						
Total Funds		\$ 0		\$ 0		\$ 0

LB 1059 makes the following changes to the pass-through entity tax (PTET) provisions:

- Allows a PTET election to be made on a Nebraska partnership or S corporation return. This change applies to tax years beginning or deemed to begin on or after January 1, 2023. The Department of Revenue currently allows the election on the Nebraska partnership or S corporation return.
- Limits the add-back used in computing both the PTET and the Nebraska income of a partner or shareholder. The add-back is limited to the Nebraska income tax deducted by the entity on its federal income tax return under section 164 of the Internal Revenue Code.
- Partners or shareholders are allowed a credit for PTET paid for the same taxable year for which the entity makes its election. This change applies for tax returns filed for tax years beginning or deemed to begin on or after January 1, 2022.

LB 1059 also places additional requirements related to the issuance of an income tax notice of deficiency. The additional requirements include a written statement detailing the facts, circumstances, and reasons the Tax Commissioner used to determine the amount of tax shown on the return is less than the correct amount.

It is estimated that LB 1059 will have no impact to the General Fund revenue.

It is estimated that the Department of Revenue will have minimal cost for implementation of LB 1059.

Major Objects of Expenditure

<u>Class Code</u>	<u>Classification Title</u>	<u>24-25</u>	<u>25-26</u>	<u>26-27</u>	<u>24-25</u>	<u>25-26</u>	<u>26-27</u>
		<u>FTE</u>	<u>FTE</u>	<u>FTE</u>	<u>Expenditures</u>	<u>Expenditures</u>	<u>Expenditures</u>
Benefits.....							
Operating Costs.....							
Travel.....							
Capital Outlay.....							
Capital Improvements.....							
Total.....							