

**FISCAL NOTE**  
 LEGISLATIVE FISCAL ANALYST ESTIMATE

<b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *</b>				
	<b>FY 2009-10</b>		<b>FY 2010-11</b>	
	<b>EXPENDITURES</b>	<b>REVENUE</b>	<b>EXPENDITURES</b>	<b>REVENUE</b>
GENERAL FUNDS	\$101,267	(\$3,000,000)	\$18,006	(\$3,000,000)
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
<b>TOTAL FUNDS</b>	<b>\$101,267</b>	<b>(\$3,000,000)</b>	<b>\$18,006</b>	<b>(\$3,000,000)</b>

\*Does not include any impact on political subdivisions. See narrative for political subdivision estimates.

LB 67 would create the Elementary and Secondary Education Opportunity Act, with an operative date of January 1, 2009.

The Elementary and Secondary Education Opportunity Act would provide a tax credit against Nebraska income tax liability for contributions to certified school tuition organizations.

A school tuition organization is defined as an organization that is a 501(c)(3) federally tax exempt organization, allocates at least 90% of its annual revenue for scholarships, and provides scholarships for eligible students without limiting availability to eligible students of only one qualified school.

An eligible student is a member of a household whose gross income does not exceed three times the federal poverty guidelines and who is enrolled as a full-time student in a qualified school. Currently, three times the federal poverty guideline for a single individual is \$32,490; for a family of four three times is \$66,150.

A qualified school means any privately operated elementary or secondary school in Nebraska that is operated not for profit, does not discriminate on the basis of race, color, or national origin and fulfills the school term requirements prescribed by the Department of Education.

The bill requires that school tuition organizations apply to the Tax Commissioner for certified tax-credit status prior to distributing scholarship funds to eligible students and limits the tax credit available to a contributor for any one tax year as follows: \$2,500 for an individual, head of household or married filing separately, \$5,000 for a married couple, estate or trust, partnership, limited liability company, or subchapter S corporation, and \$10,000 for a corporate taxpayer as defined by 77-2734.04. The credit may not exceed the taxpayer's tax liability for the tax year and may be carried forward for the next five years following the initial tax year in which the credit is first allowed. The credit may not be carried back and the credit will not be allowed if the taxpayer designates all or any part of the contribution to the tuition organization for the direct benefit of a specific student.

Prior to making a contribution to a school tuition organization the taxpayer shall notify the organization of the intent to make such a contribution and the amount. The school tuition organization shall request preapproval of the contribution from the Department of Revenue for the tax credit allowed under the Act. Following the preapproval, the taxpayer must make the contribution within 30 days of receiving notice of such.

The Department of Revenue shall consider the requests for these tax credits in the order in which they are received and not allow tax credits to exceed \$3 million in any calendar year.

The Department of Revenue estimates the cost to implement this legislation to be approximately \$83,700 for a one-time system upgrade to add lines to the Individual and Corporate Income Tax returns. Implementation would also require an additional cost of \$17,567 for FY2009-10 and \$18,006 for FY2010-11 for a 0.5 FTE, Revenue Operations Analyst II, to review and approve applications and credits.

There is no basis to disagree with the Department of Revenue's estimate of fiscal impact or expenditure.

DEPARTMENT OF ADMINISTRATIVE SERVICES

REVIEWED BY	William Scheideler	DATE	2/26/09	PHONE	471-2526
COMMENTS					
<p>NEBRASKA DEPARTMENT OF EDUCATION/FINANCE AND ORGANIZATION SERVICES: Although contributions designating a specific student for a scholarship benefit (including the taxpayer's own dependents) disqualify the donor for LB 67 credits, it appears that many students currently attending private schools would be eligible for these scholarships. Analysis of the Census Bureau's 2006 American Community Survey data for Nebraska indicates nearly half of the state's private school students are likely to be eligible to receive scholarship benefits under LB 67. For example, a child in a 4-person household (i.e., <u>2006 poverty thresholds</u> of \$20,000 in annual income multiplied by 3) reporting less than \$60,000 in annual income would qualify for financial aid funded by LB 67 donations.</p> <p>While the anticipated level of allowable donations under LB 67 is not known, Section #9 of the bill establishes an aggregate statewide limit of \$3,000,000 in annual credits.</p>					