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DATE PREPARED: May 22, 2013
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LB 308

Revision: 01

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

Revised due to adoption of amendments on General File.

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)

	FY 2013-14		FY 2014-15	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				($7,840,000)
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS				($7,840,000)

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

LB 308 as originally introduced amends the Nebraska Revenue Act of 1967, Sections 77-2715 and 77-2717, regarding income tax.

The bill eliminates the federal alternative minimum tax calculations for state income tax purposes for taxable years beginning on or after January 1, 2014. It does not affect the calculation for premature or lump-sum distributions from qualified retirement plans. The federal credit for prior year AMT would also be eliminated for taxable years 2014 and beyond.

The Department of Revenue estimates the following fiscal impact as a result of LB 308:

FY2013-14:	$ 0
FY2014-15:	($7,840,000)
FY2015-16:	($8,075,000)
FY2016-17:	($8,317,000)

The Department indicates a one-time programming charge of $3,030 paid to the Office of the CIO to update the NebFile online system.

We have no basis to disagree with the Department's estimate of fiscal impact.

We disagree with the estimate of cost and believe the Department can absorb the programming charge.

LB 308 now, as amended by AM 583, also incorporates the provisions of LB 457 and amends the Nebraska Revenue Act of 1967, Section 77-2734.07 regarding adjustments to federal taxable income for Nebraska state income tax purposes.

For taxable years beginning on or after January 1, 2014, the bill would allow a net operating loss (NOL) to be deducted for each of the twenty taxable years following the year of loss.

Current statute allows both a net operating loss and a capital loss to be deducted for five taxable years following the year of loss. The capital loss deduction is not changed by LB 457.

The Department of Revenue indicates that under current statute a corporation may carry forward a net operating loss through tax year 2019. Therefore, the impact on corporate income tax receipts will not begin until FY2020-21. Based on a sample of corporate NOLs, the General Fund revenue impact of the bill, when fully effective, would be a reduction of approximately $8 million annually.

The Department estimates the cost to implement LB 308, as amended by AM 583, would be minimal.

We have no basis to disagree with the Department's estimate of fiscal impact or cost.

LB 308 Fiscal Note 2013

State Agency Estimate

State Agency Name: Department of Revenue		Date Due LFA:
Approved by: Douglas Ewald	Date Prepared: 02/04/2013	Phone: 471-5896

	FY 2013-2014		FY 2014-2015		FY 2015-2016	
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue
General Funds	$3,030	$0	$0	($7,840,000)	$0	($8,075,000)
Cash Funds						
Federal Funds						
Other Funds						
Total Funds	$3,030	$0	$0	($7,840,000)	$0	($8,075,000)

LB 308 would amend Neb. Rev. Stat. §§ 77-2715 and 77-2717 to eliminate the alternative minimum tax (AMT) from the Nebraska individual and estates and trust income tax for taxable years beginning, or deemed to begin, on or after January 1, 2014. The tax on premature or lump-sum distributions from qualified retirement plans would be retained. The federal credit for prior year AMT would also be eliminated for taxable years 2014 and beyond.

The estimated reduction to the General Fund would be as follows:

FY2013-2014	$	-
FY2014-2015	$	7,840,000
FY2015-2016	$	8,075,000
FY2016-2017	$	8,317,000

LB 308 will require a one-time programming charge of $3,030 paid to the OCIO to update the NebFile online filing system.

Major Objects of Expenditure

Class Code	Classification Title	13-14 FTE	14-15 FTE	15-16 FTE	13-14 Expenditures	14-15 Expenditures	15-16 Expenditures
Benefits							
Operating Costs					$3,030	$0	$0
Travel							
Capital Outlay							
Aid							
Capital Improvements							
Total					$3,030	$0	$0