

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

| ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates) | | | | |
|---|-------------------|------------|-------------------|--------------------|
| | FY 2015-16 | | FY 2016-17 | |
| | EXPENDITURES | REVENUE | EXPENDITURES | REVENUE |
| GENERAL FUNDS | \$190,535 | \$0 | \$33,080 | (\$231,000) |
| CASH FUNDS | | | | |
| FEDERAL FUNDS | \$28,567 | | \$33,080 | |
| OTHER FUNDS | | | | |
| TOTAL FUNDS | \$219,102 | \$0 | \$66,160 | (\$231,000) |

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

LB 510 amends the Nebraska Revenue Act of 1967.

Section 77-2701 is amended to create a nonrefundable income tax credit for the employer of any eligible employee who is a member of a family that received benefits under the federal Temporary Assistance to Needy Families program (TANF), for any 9 months of the 18-month period immediately prior to the employee's hiring.

The amount of the credit is 20% of the employer's annual expenditures for certain services, although the credit may not exceed the employer's actual tax liability. Those services include the following provided to eligible employees:

- Provision of tuition at a Nebraska public institution of postsecondary education;
- Child care services;
- Transportation to and from work

The employer claiming the credit may only do so for two years.

The bill is operative for taxable years beginning on or after January 1, 2016.

The Department of Revenue, in consultation with the Department of Health and Human Services, is to develop a process to verify the employer's qualifications for credits claimed under LB 510 and to report annually on the number of employers claiming a credit and number of employees receiving those services.

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

| | |
|------------|--------------|
| FY2015-16: | \$ 0 |
| FY2016-17: | (\$ 231,000) |
| FY2017-18: | (\$ 233,000) |

The Department of Revenue indicates the bill will require a one-time programming charge of \$161,968 paid to the office of the CIO to add a line to Forms 1040N, 1120N, and 1041N, and required changes to the NebFile online filing system.

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

The Department of Health and Human Services indicates that LB 510 will require a Program Specialist to assist in developing the verification process and providing that information on a continuing basis to the Department of Revenue. The cost for FY2015-16 is estimated at \$73,296 (\$36,648 General Fund and \$36,648 Federal Fund) with PSL of \$36,910. The cost for FY2016-17 is \$87,954 (\$43,977 General Fund and \$43,977 Federal Fund) with PSL of \$44,292.

We disagree with the Department of Health and Human Services' estimate of operating costs. Our estimate of cost is as follows:

| | |
|------------|--|
| FY2015-16: | \$57,134 (\$28,567 General and \$28,567 Federal) with PSL of \$36,910. |
| FY2016-17: | \$66,160 (\$33,080 General and \$33,080 Federal) with PSL of \$44,292. |

| ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES | | | |
|---|-----|--|-----------------|
| LB: 510 | AM: | AGENCY/POLT. SUB: Dept. of Health and Human Services | |
| REVIEWED BY: Lyn Heaton | | DATE: 2/23/2015 | PHONE: 471-4181 |
| COMMENTS: In the absence of an automated data matching process between the Department of Health and Human Services and the Department of Revenue, it is reasonable to assume that it will require staff time to verify the employees an employer provided the services outlined in (1)(a) through (1)(c) in section 2 of the bill are a member of a family that received benefits under the TANF program. | | | |

| ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES | | | |
|---|-----|------------------------------------|-----------------|
| LB: 510 | AM: | AGENCY/POLT. SUB: Dept. of Revenue | |
| REVIEWED BY: Lyn Heaton | | DATE: 2/24/2015 | PHONE: 471-4181 |
| COMMENTS: No basis upon which to disagree with the Department of Revenue's analysis given their assumption of relatively limited use of the credit. | | | |

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

State Agency or Political Subdivision Name:(2) Department of Health and Human Services

Prepared by: (3) Mike Mason

Date Prepared:(4) 2-18-15

Phone: (5) 471-0676

| | <u>FY 2015-2016</u> | | <u>FY 2016-2017</u> | |
|----------------------|---------------------|---------|---------------------|---------|
| | EXPENDITURES | REVENUE | EXPENDITURES | REVENUE |
| GENERAL FUNDS | \$36,648 | | \$43,977 | |
| CASH FUNDS | | | | |
| FEDERAL FUNDS | \$36,648 | | \$43,977 | |
| OTHER FUNDS | | | | |
| TOTAL FUNDS | \$73,296 | \$0 | \$87,954 | \$0 |

Return by date specified or 72 hours prior to public hearing, whichever is earlier.

Explanation of Estimate:

LB 510 requires the Department to cooperate with the Nebraska Department of Revenue to develop a process to verify whether an employer is eligible for a tax credit if providing certain services that benefit employees receiving public assistance. A Program Specialist would be needed to assist developing the verification process and providing such verification on an ongoing basis. The cost would be \$73,296 (\$36,648 GF, \$36,648 FF) for SFY16 and \$87,954 (\$43,977 GF, \$43,977 FF) for SFY17 in Program 266.

MAJOR OBJECTS OF EXPENDITURE

| PERSONAL SERVICES: | POSITION TITLE | NUMBER OF POSITIONS | | 2015-2016 EXPENDITURES | 2016-2017 EXPENDITURES |
|--------------------|---------------------------|---------------------|-------|---------------------------|---------------------------|
| | | 15-16 | 16-17 | | |
| | DHHS Program Specialist | .83 | 1 | \$36,910 | \$44,292 |
| | Benefits..... | | | 13,224 | 15,868 |
| | Operating..... | | | 23,162 | 27,794 |
| | Travel..... | | | | |
| | Capital Outlay..... | | | | |
| | Aid..... | | | | |
| | Capital Improvements..... | | | | |
| | TOTAL..... | | | \$73,296 | \$87,954 |

