

Revised due to adoption of amendments on General File.

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

<b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES</b> (See narrative for political subdivision estimates)				
	<b>FY 2016-17</b>		<b>FY 2017-18</b>	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$122,672	\$0	\$25,746	(\$945,000)
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
<b>TOTAL FUNDS</b>	<b>\$122,672</b>	<b>\$0</b>	<b>\$25,746</b>	<b>(\$945,000)</b>

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

LB 889, as amended by AM2490, creates the School Readiness Tax Credit Act and provides income tax credits for taxable years beginning on or after January 1, 2017 and until January 1, 2022.

The Department of Revenue estimates the following fiscal impact to the General Fund as a result of the provisions of LB 889, as amended:

FY2016-17:	\$ 0
FY2017-18:	(\$ 940,000)
FY2018-19:	(\$1,530,000)

The Legislative Fiscal Office estimates the following fiscal impact to the General Fund as a result of the provisions of LB 889, as amended:

FY2016-17:	\$ 0
FY2017-18:	(\$ 950,000)
FY2018-19:	(\$1,805,000)

Therefore, we estimate the following fiscal impact of LB 889, as amended, to the General Fund:

FY2016-17:	\$ 0
FY2017-18:	(\$ 945,000)
FY2018-19:	(\$1,668,000)

The Department of Revenue has indicated an expenditure of \$329,097 to implement the provisions of LB 889, as amended. This includes a charge of \$258,036 paid to the Office of the CIO to add lines to Forms 1040N, 1041N, 1120N, NebFile and to implement a tracking system for the credits. The Department also will require a 0.5 FTE Fiscal Compliance Analyst and 0.5 FTE Revenue Tax Specialist.

We disagree with the Department of Revenue's estimate of cost for programming and the need for a Revenue Tax Specialist. We estimate an expenditure of \$122,672 for FY16-17 and \$25,746 for FY17-18. This includes PSL for FY16-17 of \$18,904 and \$19,358 for FY17-18.

State Agency Estimate

State Agency Name: Department of Revenue

Date Due LFA:

Approved by: Tony Fulton

Date Prepared: 03/31/2016

Phone: 471-5896

	FY 2016-2017		FY 2017-2018		FY 2018-2019	
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue
General Funds	\$316,209	\$0	\$59,569	\$(940,000)	\$60,999	\$(1,530,000)
Cash Funds						
Federal Funds						
Other Funds						
<b>Total Funds</b>	<b>\$316,209</b>	<b>\$0</b>	<b>\$59,569</b>	<b>\$(940,000)</b>	<b>\$60,999</b>	<b>\$(1,530,000)</b>

AM 2490 to LB 889 creates the School Readiness Tax Credit Act. The Act provides two categories of income tax credits for taxable years beginning on or after January 1, 2017 and before January 1, 2022.

First, Section 4 provides a nonrefundable credit to persons who own or operate an eligible child care and education program that serves children who participate in the child care subsidy program established in 68-1202. The credit to the provider shall be equal to the average monthly number of subsidy children who attend the provider's program multiplied by an amount based on the quality scale rating of the eligible program. The provider may receive a credit equal to the following amounts per subsidy child: A) \$750 for a Step Five program, B) \$500 for a Step Four program, C) \$250 for a Step Three program, D) \$0 for a Step Two program, E) \$0 for a Step One program.

Second, Section 5 provides a refundable credit to staff members who are both employed with an eligible program for at least six months during the taxable year and are classified in the Nebraska Early Childhood Professional Record System. Certified teaching and administrative staff employed by programs established pursuant to section 79-1104 are excluded. The development of the classification system is provided for in Section 9. Eligible staff members may receive a credit equal to the following amounts: A) \$1,500 for a Level Four classification, B) \$1,250 for a Level Three classification, C) \$750 for a Level Two classification, and D) \$500 for a Level One classification. These credit amounts will be adjusted for inflation.

To receive these credits eligible providers and staff members must submit an application to the Department along with supporting documentation. The Department will certify the amount of credits approved. The eligible provider or staff member may claim the credits by attaching the tax credit certification form to their tax return.

The Department will consider applications in the order in which they are received and may approve tax credits under this act until the aggregate limit of \$5 million per year is reached.

AM 2490 provides that credits that are found to have been obtained by way of fraud or misrepresentation may be recaptured.

Major Objects of Expenditure

Class Code	Classification Title	16-17	17-18	18-19	16-17	17-18	18-19
		FTE	FTE	FTE	Expenditures	Expenditures	Expenditures
A21211	Fiscal Compliance Analyst	0.5	0.5	0.5	\$18,904	\$19,358	\$19,822
A29621	Revenue Tax Specialist	0.5	0.5	0.5	\$24,835	\$25,431	\$26,042
Benefits.....					\$14,434	\$14,780	\$15,135
Operating Costs.....					\$258,036		
Travel.....							
Capital Outlay.....							
Aid.....							
Capital Improvements.....							
<b>Total.....</b>					<b>\$316,209</b>	<b>\$59,569</b>	<b>\$60,999</b>

The Department estimates the reduction to the General Fund revenues as follows:

FY16-17	\$	0
FY17-18	\$	940,000
FY18-19	\$	1,530,000

AM 2490 to LB 889 would require a one-time programming charge of \$258,036 paid to the OCIO to add a line to Forms 1040N, 1041N, 1120N, NebFile, and implement a tracking system for the credits. The Department will require 0.5 FTE Fiscal Compliance Analyst and 0.5 Revenue Tax Specialist to administer this bill.