

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2018-19		FY 2019-20	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$234,000		\$224,400	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$234,000		\$224,400	

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

LB 935 amends a number of Nebraska statutes regarding tax incentive programs to allow the sharing of confidential information between state agencies and require detailed reporting and data retention for purposes of performance audits.

The bill provides that the Department of Revenue and the Department of Economic Development may disclose to the other agency identification information about taxpayers participating in tax incentive programs. The information received is to be considered confidential and any employee who discloses such information other than what is specifically allowed shall be subject to the appropriate penalties.

The bill also amends the following tax incentive acts and statutes to require certain information (in either application or reports) and time tables for the retention by the agency of that information:

- New Markets Job Growth Investment Act;
- Nebraska Advantage Rural Development Act;
- Nebraska Job Creation and Mainstreet Revitalization Act;
- Beginning Farmer Tax Credit Act;
- Nebraska Advantage Act;
- Nebraska Advantage Research and Development Act;
- Nebraska Advantage Microenterprise Tax Credit Act;
- Angel Investment Tax Credit Act.

The type of information to be included and retained includes:

- Federal employer identification numbers associated with the taxpayer;
- Federal employer identification numbers that include new equivalent employees;
- Unemployment insurance identification numbers associated with the taxpayer;
- Unemployment insurance identification numbers that include new employees;
- Amount of new investment approved for credits;
- Number of total employees for each quarter;
- Number of full-time, part-time, and temporary employees for each quarter;
- Average annualized wages in four wage cohorts;
- Number of employees offered employer-provided medical, dental, and retirement benefits;
- Number of employees receiving employer-provided medical, dental, and retirement benefits;
- Project locations that will include new employees;
- Etc.

In general, the Department of Revenue is required to keep relevant records and data for as long as there are active agreements, or taxpayers claiming credits plus an additional five years.

The Department of Revenue estimates no fiscal impact to General Fund revenue.

We agree with the Department of Revenue estimate of fiscal impact to the General Fund.

The Department of Revenue indicates they will require 2.0 FTE IT Applications Developer/Senior for the first two years and 1.0 FTE thereafter for programming changes necessary to collect and store the additional data. They will also require 0.5 FTE Fiscal Compliance Analyst and 0.5 FTE Revenue Operation Clerk II to request and follow up with incentive companies on the data required by the bill. This assumes the data collection is voluntary and merely requires notification of the need for the data and follow-up. If the Department were required to audit or otherwise verify that the information provided by the companies is accurate; additional professional staff would be required. PSL for FY2018-19 is \$165,000 and \$168,700 for FY2019-20.

We have no basis to disagree with the Department of Revenue estimate of cost.

State Agency Estimate

State Agency Name: Department of Revenue

Date Due LFA:

Approved by: Tony Fulton

Date Prepared:

Phone: 471-5896

	FY 2018-2019		FY 2019-2020		FY 2020-2021	
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue
General Funds	\$234,400	\$0	\$224,400	\$0	\$137,900	\$0
Cash Funds						
Federal Funds						
Other Funds						
Total Funds	\$234,400	\$0	\$224,400	\$0	\$137,900	\$0

LB 935 provides for additional data collection, data sharing, and reporting to facilitate the Legislative Audit Office's audit of economic tax incentive programs.

1) Data Sharing: The bill permits the Department of Economic Development (DED) and the Department to disclose to each other the names, addresses, and identification numbers of taxpayers participating in tax incentive programs.

2) Record Retention: The bill requires the Department to retain all administrative records and data relating to the Nebraska Advantage Act and the Nebraska Advantage Rural Development Act for as long as there are active agreements in the respective programs, plus five years. The bill requires the Department to retain all administrative records and data relating to the New Markets Job Growth Investment Act, the Beginning Farmer Tax Credit Act, the Nebraska Job Creation and Mainstreet Revitalization Act, the Nebraska Advantage Research and Development Act, and the Nebraska Advantage Microenterprise Tax Credit Act for as long as there are tax credits that may be claimed, or taxpayers claiming credits under the respective programs, plus five years. The bill also requires that the Department and DED retain all administrative records and data relating to the Angel Investment Tax Credit Act for as long as there are qualified investors or qualified funds claiming credits under the program.

3) Program Applications: The bill requires the Department to collect additional information from taxpayers on the program application for the Nebraska Advantage Act, the Nebraska Advantage Rural Development Act, and the Nebraska Advantage Microenterprise Tax Credit Act. The DED is required to collect additional information from Angel Investment Tax Credit Act applicants. The additional information applicants will be required to provide as part of the application process includes federal employer identification numbers associated with the taxpayer and its unitary group members, unemployment insurance ID numbers associated with taxpayer and its unitary group members, and the proposed locations that will include new employees.

Major Objects of Expenditure

Class Code	Classification Title	18-19	19-20	20-21	18-19	19-20	20-21
		FTE	FTE	FTE	Expenditures	Expenditures	Expenditures
A07012	IT Applications Developer/Senior	2.0	2.0	1.0	\$130,400	\$133,300	\$67,700
A21211	Fiscal Compliance Analyst	0.5	0.5	0.5	\$19,200	\$19,700	\$20,000
S29112	Revenue Operations Clerk II	0.5	0.5	0.5	\$15,400	\$15,700	\$16,000
	Benefits.....				\$54,400	\$55,700	\$34,200
	Operating Costs.....				\$15,000		
	Travel.....						
	Capital Outlay.....						
	Capital Improvements.....						
	Total.....				\$234,400	\$224,400	\$137,900

4) Taxpayer Reporting: The bill requires taxpayers with an active agreement under the Nebraska Advantage Act, the Nebraska Advantage Rural Development Act, and the Nebraska Advantage Microenterprise Tax Credit Act to report certain information to the Department by May 31 of each year. Qualified small businesses involved in the Angel Investment Tax Credit Act must report certain information to the Department by July 1 of each year. Information required to be reported varies by program, but generally includes federal employer identification numbers, unemployment insurance identification numbers, project locations that have new employees, and amount of new investment that was approved for credits in the previous taxable year, identified by asset class.

5) Annual Survey: The bill requires taxpayers with an active agreement under the Nebraska Advantage Act and the Nebraska Advantage Rural Development Act to file a complete annual survey with the Department by May 31 of each year. Information that must be included in the survey includes the total number of employees for each quarter as reported to the Department of Labor in quarterly wage reports, the number of full-time, part-time, and temporary employees, the number of employees for each quarter by wage category, the number of employees per quarter who were offered or received health and retirement benefits, and identifying in the quarterly wage reports submitted to the Department of Labor, which employees contributed hours toward credit calculations.

6) R &D Report: The bill requires taxpayers claiming credits under the Nebraska Advantage Research and Development Act to submit a report at the time credits are claimed including federal employer identification numbers, numbers of employees, and amount of investment.

It is estimated that this bill will have no impact on General Fund revenues.

LB 935 will require 2.0 FTE IT Applications Developer/Senior for the first two years and 1.0 FTE thereafter for programming changes necessary to collect and store the additional data. The Department will also require 0.5 FTE Fiscal Compliance Analyst, and 0.5 FTE Revenue Operations Clerk II to request and follow up with incentive companies on the data required by the bill. This assumes the data collection is voluntary and merely requires notification of the need for the data and follow-up. If the Department were required to audit or otherwise verify that the information provided by the companies is accurate, additional professional staff would be needed.