PREPARED BY: DATE PREPARED: PHONE: Douglas Gibbs January 19, 2018 402-471-0051

LB 935

Revision: 00

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)								
	FY 201	8-19	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.

TOTAL.....

LB ⁽¹⁾	935							FISCAL NOTE
State Ag	gency OR l	Political S	ubdivision Name: ⁽²⁾	Depar	tment of Ec	onomic De	velopment	
Prepare	ed by: (3)	Dave F	Rippe	Date	e Prepared: ⁽⁴⁾	1/17/2018	Phone: (5)	471-3777
		ES	STIMATE PROVI	DED BY S	STATE AGEN	CY OR POL	ITICAL SUBDIVIS	ION
				2018-19			FY 201	
			EXPENDITURES	<u>S</u>	<u>REVENUE</u>	EXP	<u>ENDITURES</u>	<u>REVENUE</u>
GENER	RAL FUN	DS	\$160,000	- —				
CASH F	FUNDS					_		
FEDER	AL FUN	DS		_				
OTHER	R FUNDS	3						
TOTAI	L FUNDS	;	\$160,000					
LB935 ar under sev	veral prog	ctions of s grams and	d requires records re	etention fo	or five years bey	ond the end	-	
the Depa numbers	rtments o	f Revenu er depart	e (NDR) and Econd	mic Deve	lopment (DED)	to disclose n	Economic Developm ames, addresses an r conducting perform	
to require of the bust members employer for credits different benefits.	e business's use of the business's use of the business; the nunwage rangelin additionare qualific	ses to pro unitary gro usiness's ution numi nber of fu ges; and f n, this se ed invest	ovide all federal empoup, and to identify unitary group. LB 9 bers; unemploymer ll-time, part-time, and the number of emplotion also requires toors or qualified fund	oloyer ider all unemplass also red insurance tempora oyees offected both Nas claiming	ntification numb loyment insurar quires business be identification ary employees ared and receiv IDR and DED a g credits. These	ers associated note numbers ses receiving numbers; the for each quaiting employer acquire and received incless.	ed with the business a associated with the based investment under the e amount of qualified rter; average annuali- provided medical, de etain all administrative	e act to provide investment approved zed wages for four ental, and retirement e records for as long ninistrative data bases
will be ad	lditional c	osts to de		database	s to provide da	ta to NDR. DI	ED expects these up	ceive from DED, there grades to result in one
D 1	.		BREAKDOW	N BY MA	JOR OBJECT	S OF EXPE	NDITURE	
<u>rersonal</u>	Services	:	N	UMBER	OF POSITION	IS	2018-19	2019-20
	POSIT	TION TIT		<u>18-19</u>	<u>19-20</u>		ENDITURES	EXPENDITURES
Dan G	_							
							\$160,000	
	_						\$160,000	\$0
_	-							
Capital	mprove							

\$160,000

\$0

LB 935 Fiscal Note 2018

State Agency Estimate									
State Agency Name: Department		Date Due LFA:							
Approved by: Tony Fulton		ed:	Phone: 471-5896						
	FY 2018-2019		FY 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.

	18-19					
C1 101 1 771.1	10-17	19-20	20-21	18-19	19-20	20-21
Classification Title	FTE	FTE	FTE	Expenditures	Expenditures	Expenditures
IT Applications Developer/Senior	2.0	2.0	1.0	\$130,400	\$133,300	\$67,700
Fiscal Compliance Analyst	0.5	0.5	0.5	\$19,200	\$19,700	\$20,000
Revenue Operations Clerk II	0.5	0.5	0.5	\$15,400	\$15,700	\$16,000
Benefits.					\$55,700	\$34,200
Operating Costs.				\$15,000		
s						
Total					\$224,400	\$137,900
	Fiscal Compliance Analyst Revenue Operations Clerk II	Fiscal Compliance Analyst 0.5 Revenue Operations Clerk II 0.5	Fiscal Compliance Analyst 0.5 0.5 Revenue Operations Clerk II 0.5 0.5	IT Applications Developer/Senior 2.0 2.0 1.0 Fiscal Compliance Analyst 0.5 0.5 Revenue Operations Clerk II 0.5 0.5 S.	T Applications Developer/Senior 2.0 2.0 1.0 \$130,400	T Applications Developer/Senior 2.0 2.0 1.0 \$130,400 \$133,300

LB 935, page 2 Fiscal Note 2018

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.