

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2020-21		FY 2021-22	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$131,868			
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$131,868			

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

LB 865 amends the Revenue Act of 1967 to provide a deduction to an individual's federal adjusted gross income equal to the amount of any contribution made by the individual's employer into a Nebraska education savings trust (NEST) account. The deduction is available for tax years beginning on or after January 1, 2021.

The Tax Commissioner is required to include space on the individual income tax return form where an individual can designate any amount of refund as a contribution to an account established under NEST. The Tax Commissioner must determine the total amount of contributions each year and transfer the amount from the General Fund to the College Savings Plan Program Fund to deposit in the appropriate accounts.

The bill also defines "employer contribution" and "participant contribution." LB 865 clarifies that (1) a participation agreement can authorize employers to make employer contributions; (2) a participant retains ownership of all employer contributions made to the account and income derived from such contributions; (3) any contributions made to a participant's NEST account must not be taken into account in determining the participant's income for purposes of any government program that provides benefits or aid based on financial need; and (4) any employer contributions to a NEST account are considered a completed gift from the participant to the beneficiary for purposes of federal gift and generation-skipping transfer taxes.

The bill is operative January 1, 2021.

Revenue:

The Department of Revenue estimates revenue to the General Fund as follows:

FY 20-21	\$0
FY 21-22	\$0
FY 22-23	(\$641,000)

The department assumes approximately 5% of the total refunds will be applied to NEST accounts, which provides for an income tax benefit the following year. LB 865 adds a process to contribute to NEST accounts, and it is reasonable to assume more contributions will be made to NEST accounts than would otherwise be made. As such, there's no basis to disagree with this estimate.

Expenditures:

The department estimates a one-time programming charge of \$131,868 to the OCIO for mainframe and web development changes. The State Treasurer estimates no cost to implement the bill.

There is no basis to disagree with these estimates.

State Agency Estimate

State Agency Name: Department of Revenue		Date Due LFA:				
Approved by: Tony Fulton		Date Prepared:				
		Phone: 471-5896				
	FY 2020-2021		FY 2021-2022		FY 2022-2023	
	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>
General Funds	\$131,868	minimal	\$0	minimal	\$0	(\$641,000)
Cash Funds						
Federal Funds						
Other Funds						
Total Funds	\$131,868	minimal	\$0	minimal	\$0	(\$641,000)

LB 865 amends Neb. Rev. Stat. § 77-2716 to allow a participant in the Nebraska educational savings plan trust to take, as a reduction against federal adjusted gross income or federal taxable income, employer contributions that are made to the participant’s account, to the extent this contribution is included in the participant's federal adjusted gross income, for taxable years beginning or deemed to begin on or after January 1, 2021. “Employer contribution” is defined as a contribution that is made by an employer to the account of a participant who is an employee of the employer.

LB 865 requires the Tax Commissioner to add a space on the individual income tax return for the taxpayer to designate any amount of a refund as a contribution to an account established under the Nebraska educational savings plan trust, beginning with tax year 2021. Each year, the Tax Commissioner will determine the amount of designated contributions and the State Treasurer will transfer the amount from the General Fund to the College Savings Plan Program Fund.

LB 865 amends § 85-1810 to prohibit agencies of the state from considering employer contributions in determining income levels for participation in government programs that provide benefits or aid to individuals based on financial need except as provided by federal law.

DOR assumes that employer contributions will be minimal resulting in a negative but minimal impact to the General Fund revenues as a result of the employer contribution portion of the bill. DOR assumes approximately 5% of the total refund amount would be applied to a Nebraska educational savings plan trust. The estimated total reduction to the General Fund would be as follows:

FY 2020-2021	\$	-
FY 2021-2022	\$	-
FY 2022-2023	\$	641,000

LB 865 would require a one-time programming charge of \$131,868 paid to the OCIO for mainframe and web development changes. It is estimated that there will be minimal costs to DOR to implement this bill.

Major Objects of Expenditure								
<u>Class Code</u>	<u>Classification Title</u>	<u>20-21 FTE</u>	<u>21-22 FTE</u>	<u>22-23 FTE</u>	<u>20-21 Expenditures</u>	<u>21-22 Expenditures</u>	<u>22-23 Expenditures</u>	
	Benefits.....							
	Operating Costs.....				\$131,868			
	Travel.....							
	Capital Outlay.....							
	Capital Improvements.....							
	Total.....				\$131,868			

Please complete ALL (5) blanks in the first three lines.

2020

LB⁽¹⁾ 865 _____

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ State Treasurer _____

Prepared by: ⁽³⁾ Tyson Larson _____ Date Prepared: ⁽⁴⁾ 1/13/20 _____ Phone: ⁽⁵⁾ (402) 471-1234 _____

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2020-21</u>		<u>FY 2021-22</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	-	-	-	-
CASH FUNDS	-	-	-	-
FEDERAL FUNDS	-	-	-	-
OTHER FUNDS	-	-	-	-
TOTAL FUNDS	-	-	-	-

Explanation of Estimate:

The State Treasurer's Office doesn't expect any fiscal impact from LB865 to the office.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2020-21</u>	<u>2021-22</u>
	<u>20-21</u>	<u>21-22</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Benefits.....				
Operating.....				
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
TOTAL.....				