PREPARED BY: DATE PREPARED: PHONE: John Wiemer February 06, 2023 402-471-0051

**LB 206** 

Revision: 01

## FISCAL NOTE

**LEGISLATIVE FISCAL ANALYST ESTIMATE** 

Revised Per Updated Agency Response on 02/03/2023

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)							
	FY 2023-24		FY 2024-25				
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE			
GENERAL FUNDS							
CASH FUNDS							
FEDERAL FUNDS							
OTHER FUNDS							
TOTAL FUNDS							

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

LB 206 allows a partnership to elect to file an amended Nebraska income tax return at the top individual tax rate as if the partnership were an individual.

Partners are not required to file amended Nebraska income tax returns when the election is made and the taxes paid by the partnership. Partners are also not required to pay Nebraska income tax, penalties, or interest arising as a result of the amended return and the basis, and other tax items in the hands of the partners, will be determined as if the election had not been made and in a similar manner as set forth for federal income tax purposes.

LB 206 carries an emergency clause.

The Department of Revenue (DOR) originally estimated on January 20, 2023 that LB 206 would require an additional 0.5 FTE of Revenue Operations Clerk II to process the amended returns for partnerships as a result of passing this bill. However, in its updated response on February 3, 2023, the DOR has eliminated the expenditures estimated for a Revenue Operations Clerk II as the DOR believes the savings from this bill, because of the elimination of data entry to individual amended returns, will offset the noted additional costs. Due to this offset, the DOR estimates LB 206 will have a minimal fiscal impact. There is no basis to disagree with this estimate.

State Agency Estimate							
State Agency Name: Department of	Revenue				Date Due LFO:		
Approved by: Glen White		Date Prepared:	02/03/2023		Phone: 471-5896		
	FY 2023-2024		FY 2024-2025		FY 2025-2026		
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue	
General Funds							
Cash Funds							
Federal Funds							
Other Funds							
Total Funds							

## Reason For Revision:

The Department of Revenue (DOR) revision to LB 206 fiscal note to eliminate the request for .5 FTE of Revenue Operations Clerk II as in the original fiscal note. DOR asked for .5 FTE originally was due to the fact that for the amended returns where tax liability is being derived (computed and paid) at the entity level on partnership returns, we will have to process and make the adjustment manually. However, there are some savings because we don't have to data enter the individual amended returns. Unfortunately, we did not consider this savings when originally costing the bill. The DOR believe the savings from the individual adjustment will offset the cost from the entity level adjustment.

LB 206 allows a partnership to elect to pay income tax on partnership-related adjustments. The tax is imposed at the highest individual income tax rates for the year of the adjustments and reported by filing an amended Nebraska partnership return. The election is limited to changes in partnership-related adjustments made by:

- IRS or other competent authority
- Another state.
- The filing of an amended return with the IRS or another state.
- An administrative adjustment request filed with the IRS.

The partners are not required to file an amended return to report their distributive share of the partnership-related adjustments. In addition, the partners are not required to pay Nebraska income tax, penalties, or interest as a result of the amended return filed under the election and the basis, and other tax items in the hands of the partners, will be determined as if the election had not been made and in a similar manner as set forth for federal income tax purposes.

The election does not apply to adjustments that are not "partnership-related". A partnership and its partners must file an amended return to report these adjustments and pay any related Nebraska tax.

LB 206 carries an emergency clause.

The DOR estimates LB 206 will have minimal impact on General Fund revenues.

Major Objects of Expenditure								
Class Code	Classification Title	23-24 <u>FTE</u>	24-25 <u>FTE</u>	25-26 <u>FTE</u>	23-24 Expenditures	24-25 Expenditures	25-26 Expenditures	
Operating Costs								
Travel								
Capital Outlay								
Capital Improvements								
Total			• • • • • • • • • • • • • • • • • • • •					