

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2016-17		FY 2017-18	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$215,719	\$0	\$204,097	\$0
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$215,719	\$0	\$204,097	\$0

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

LB 1095 amends Nebraska Revised Statute Section 77-2753 regarding withholding.

The bill adds language to the statute to require every employer making payment of wages subject to withholding to register with the Tax Commissioner to be assigned an employer identification number. This registration is to be renewed annually.

It shall be unlawful for any employer to maintain an office or conduct business in Nebraska after January 1, 2017 unless they have registered and been assigned an employer identification number.

Also beginning January 1, 2017 every employer required to register as provided above shall also register with and use the federal immigration verification system to determine work eligibility status of new employees subject to withholding. Such employers shall not knowingly employ an unauthorized alien, and shall submit an affidavit to the Tax Commissioner stating they are in compliance. The verification requirement does not apply to employees hired prior to January 1, 2017.

An employer who fails to comply with these requirements may have their identification number suspended or revoked by the Tax Commissioner. An employer whose identification number revoked or suspended may be reinstated after coming into compliance and paying a fee of \$50 to the Tax Commissioner for reinstatement. The bill does not specify where the fee is to be credited. Appeals may be made by the employer according to the Nebraska Administrative Procedures Act.

There is no fiscal impact to the General Fund as a result of the provisions of LB 1095.

The Department of Revenue indicates that LB 1095 will require ongoing operating costs of \$36, 902 annually for printing and addressing of renewal forms, postage costs, and two-way envelopes. In addition, the Department will require 1.0 FTE Auditor, 1.0 FTE Revenue Operations Clerk II, and 1.5 FTE Revenue Agent to administer the bill. PSL will be \$122,765 and \$125,710 for FY2016-17 and FY2017-18, respectively.

We have no basis to disagree with the Department of Revenue's estimate of cost to implement the provisions of LB 1095.

State Agency Estimate

State Agency Name: Department of Revenue		Date Due LFA: 2/24/2016				
Approved by: Tony Fulton		Phone: 471-5896				
Date Prepared: 2/23/2016						
<u>FY 2016-2017</u>		<u>FY 2017-2018</u>		<u>FY 2018-2019</u>		
<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>	
General Funds	\$215,719	\$0	\$204,097	\$0	\$208,110	\$0
Cash Funds						
Federal Funds						
Other Funds						
Total Funds	\$215,719	\$0	\$204,097	\$0	\$208,110	\$0

LB 1095 would amend the withholding statute, Neb. Rev. Stat. § 77-2753, to add a statutory requirement that any employer making payment of wages subject to withholding must register with the Tax Commissioner and be assigned an employer ID number. The registration must be renewed annually.

In addition, beginning January 1, 2017 every employer required to register for withholding must use the federal immigration verification system (E-verify) to determine the work eligibility status of all new employees. Also, employers cannot knowingly employ an unauthorized alien. Whenever an employer required to register fails to comply with any requirement, the Tax Commissioner, after a hearing with at least 20 days’ notice, may revoke or suspend the registration.

Whether a person is an unauthorized alien is determined solely on the federal government’s determination. Using E-verify creates a rebuttable presumption that the employer did not knowingly employ an unauthorized alien. The Tax Commissioner may reinstate an employer whose registration has been revoked or suspended if the employer has complied with the requirements and filed a sworn affidavit stating that the employer has complied. There is a \$50 fee for reinstatement. Appeals are according to the Nebraska Administrative Procedures Act. Reports, or other information regarding a violation of this act is subject to the confidentiality requirements of § 77-27,119.

LB 1095 is expected to have no impact to the General Fund revenue.

LB 1095 would require ongoing operating costs of \$36,902 annually for printing and addressing of renewal forms, postage costs, and two-way envelopes. The Department will require 1 FTE Auditor, 1 FTE Revenue Operations Clerk II and 1.5 FTE Revenue Agent to administer the bill.

Major Objects of Expenditure

<u>Class Code</u>	<u>Classification Title</u>	<u>16-17 FTE</u>	<u>17-18 FTE</u>	<u>18-19 FTE</u>	<u>16-17 Expenditures</u>	<u>17-18 Expenditures</u>	<u>18-19 Expenditures</u>
A21212	Auditor	1	1	1	\$40,639	\$41,614	\$42,613
S29112	Revenue Operations Clerk II	1	1	1	\$30,231	\$30,956	\$31,699
X29222	Revenue Agent	1.5	1.5	1.5	\$51,895	\$53,140	\$54,416
	Benefits.....				\$40,512	\$41,485	\$42,480
	Operating Costs.....				\$36,902	\$36,902	\$36,902
	Travel.....						
	Capital Outlay.....				\$15,000		
	Aid.....						
	Capital Improvements.....						
	Total.....				\$215,719	\$204,097	\$208,110