

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2017-18		FY 2018-19	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$172,916	\$0	\$0	(\$7,890,000)
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$172,916	\$0	\$0	(\$7,890,000)

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

LB 118 creates the Education Savings Account Act and amends Nebraska Revised Statutes Section 77-2716.

The bill allows the parent or legal guardian of a student attending an eligible school to establish an education savings account with a financial institution and designate the beneficiary of the account. The account shall be used to pay the qualified education expenses of the designated beneficiary of the account.

Eligible school is defined as a public, private, denominational, or parochial school which provides education for students in any grades kindergarten through grade twelve and meets the requirements for legal operation or elects not to meet accreditation or approval requirements.

Qualified education expense is defined as tuition, fees, room and board, books, supplies, equipment and uniforms, extracurricular activities, computers, computer equipment, software, internet access, distance education classes, and college entrance exams.

Any natural person, firm, partnership, limited liability company, association, or corporation may contribute up to \$2,000 per calendar year, in cash, to an account.

The account owner shall notify the Department of Revenue that the account has been established, the financial institution, type of account, and the designated beneficiary.

Distributions from the account may only be made for qualified education expenses as defined in the bill and if made for a nonqualified expense the account owner is subject to a penalty of ten percent of the non-qualified amount, to be collected by the Department of Revenue.

Section 77-2716 is amended to provide that federal adjusted gross income (AGI) shall be reduced by the amount of contributions to and interest earned by an education savings account. AGI shall be increased by the amount of any withdrawals from such account for non-qualified expenses to the extent they were previously deducted.

The Department of Revenue is given rule and regulation authority to carry out the provisions of the Act.

The bill has an operative date of January 1, 2018.

The Department of Revenue estimates the following fiscal impact to the General Fund as a result of the provisions of LB 118:

FY2017-18:	\$ 0
FY2018-19:	(\$ 7,890,000)
FY2019-20:	(\$ 8,300,000)
FY2020-21:	(\$ 8,740,000)

The Department of Revenue estimates the implementing LB 118 will require a one-time programming charge of \$172,916 paid to the Office of the CIO to add lines to the Form 1040N, 1041N, 1120N, and Nebfile and a contract programmer to develop a tracking system.

We have no basis to disagree with the Department of Revenue's estimate of fiscal impact or cost.

The estimated total reduction to the General Fund would be as follows:

FY 2017-2018	\$	0
FY 2018-2019	\$	7,890,000
FY 2019-2020	\$	8,300,000
FY 2020-2021	\$	8,740,000

LB 118 would require a one-time programming charge of \$172,916 paid to the OCIO and to add lines to the 1040N, 1041N, NebFile, 1120N, and contract programmer to develop a tracking system.