

FISCAL NOTE
 LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *				
	FY 2008-09		FY 2009-10	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	44,500		347,000	(1,000,000)
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	44,500		347,000	(1,000,000)

*Does not include any impact on political subdivisions. See narrative for political subdivision estimates.

LB 737 provides a nonrefundable income tax credit for individuals claiming a dependent eligible for medical assistance, as defined under Nebraska Revised Statutes, Sections 68-1001 to 68-1008. The credit is equal to 100% of the federal credit allowed under section 21 of IRS code. The credit is available for individuals of any income level, but the extent to which it can be used will vary depending on the level of a filer's federal adjusted gross income. The bill has an effective date of January 1, 2008

The bill caps the credit at \$1,000,000 per year. If the cap is reached, credits are to be issued on a pro rata basis.

Because of the cap provision, the Department of Revenue will not be able to process returns claiming the credit until December, when all of the individual income tax filing extensions have expired. This will create a situation where interest payments will need to be considered. Taxpayers with a balance due will owe interest on that amount, and taxpayers receiving a refund will be owed interest from the April due date. Currently the statutory interest rate is 6.0%. The Department estimates net interest payments of \$347,000, \$354,000, and \$361,000 in FY10 through FY12, respectively.

The Department of Revenue also notes that those eligible under 68-1001 receive a determination from the Department of Health and Human Services. The Department of Revenue will need to know who is eligible to claim this credit, which will require a change in confidentiality statutes to allow HHS to provide Revenue with data to verify eligibility for the tax credit. HHS estimates that between 25% and 33% of the 48,000 Nebraskans eligible for the program would be eligible for the credit under LB737.

It is estimated that the Department of Revenue would incur a one time programming cost of \$44,500.

IMPACT ON POLITICAL SUBDIVISIONS: This bill does not appear to have a material fiscal impact on political subdivisions.