

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	\$329,097	\$0	\$25,746	(\$1,500,000)
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$329,097	\$0	\$25,746	(\$1,500,000)

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

LB 685 creates the Student Loan Repayment Tax Credit Act.

The bill would provide a nonrefundable tax credit to employers who repay the principal and interest on behalf of a qualified employee's student loan. The amount of the credit would be equal to fifty percent of the amount repaid up to a maximum credit per employee of \$1,800. An employer may earn the credits for a maximum of twenty employees.

A qualified employee is defined as one who is employed by the employer for at least 480 hours in this state during the taxable year; graduated from a postsecondary educational institution in this state or graduated from a postsecondary educational institution in another state but graduated from a Nebraska high school; and who incurred a student loan while attending the postsecondary educational institution.

Beginning January 1, 2017, an employer seeking these credits will be required to submit an application to the Department of Revenue. If approved the Department will certify the amount of credits. Unused credits may be carried forward.

Total credits available under the Act are capped at \$1,500,000 per taxable year and at least 25% of the credits must go to businesses employing less than 50 employees.

In the event an employer failed to make the student loan repayment for which tax credits were granted, the Department of Revenue shall recapture all or a portion of the credits. The recapture period is three years after the taxable year in which the credits were claimed.

Because the loan repayment will be considered taxable income to the employee the Department of Revenue has indicated that the fiscal impact to the General Fund will be slightly reduced. However, because the credit is claimed by the business and not the employee we believe the effect of the credit will be full utilization by eligible businesses.

The Department indicates implementation of LB 685 will require a one-time programming charge of \$258,036 paid to the Office of the CIO to add a line to the Form 1040N, 1041N, 1120N, NebFile, and to implement a tracking system. The Department will also require 1.0 FTE Revenue Tax Specialist to implement the bill in the first year and 0.5 FTE Fiscal Compliance Analyst to administer the program in subsequent years. PSL in FY16-17 will be \$49,670, \$19,359 in FY17-18 and \$19,822 in FY18-19.

We have no basis to disagree with the Department's estimate of cost.

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES			
LB: 685	AM:	AGENCY/POLT. SUB: Dept. of Revenue	
REVIEWED BY: Lyn Heaton		DATE: 1/25/2016	PHONE: 471-4181
COMMENTS: No basis upon which to disagree with the Department of Revenue's analysis.			

