

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2018-19		FY 2019-20	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$204,309	\$0	\$0	\$0
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$204,309	\$0	\$0	\$0

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

LB 1045 creates the Nebraska Excellence Fund Tax Credit Act.

The bill provides for a nonrefundable credit against income tax in an amount equal to the amount a taxpayer contributes to the Nebraska Excellence Fund during the tax year, for tax years beginning on or after January 1, 2018.

Those eligible for the credit are defined as any individual, firm, corporation, or other business entity subject to income tax imposed by the Nebraska Revenue Act of 1967.

The bill also creates the Nebraska Excellence Fund. The Fund is to accept contributions which are to be used for exclusively public purposes as specified in Section 170 of the Internal Revenue Code and is to be administered by the Department of Revenue. Amounts shall be used for public purposes upon appropriation by the Legislature.

Any unused portion of the tax credit may be carried forward until the credit is fully used.

The Department of Revenue may adopt and promulgate rules and regulations to carry out the purposes of the Act.

The Department of Revenue has provided the following information regarding the provisions of LB 1045. The federal Tax Cuts and Jobs Act of 2017 limits the itemized deduction for state and local taxes to \$10,000. LB 1045 will allow those who are limited by the federal limitation to make contributions to the Nebraska Excellence Fund presumable equal to the amount over the \$10,000 limitation. While it is clear that the intent of LB 1045 assumed that the amounts contributed could be taken as a charitable deduction on the federal Schedule A, the Internal Revenue Service has recently issued guidance indicating that taxpayers will not be able to utilize this strategy to avoid the limitation. Therefore, the contributions to the Fund will not count as a deduction either federally or for Nebraska tax purposes. Consequently, there is no incentive to make a contribution to the Nebraska Excellence Fund.

Therefore, the Department of Revenue estimates that this bill will have fiscal no impact to General Fund or Cash Fund revenues.

However, regardless of utilization, the Department of Revenue indicates they will require \$112,609 in one-time costs paid to the Office of the CIO to make changes to NebFile; add lines to 1120N, 1041N, and 1040N; develop a tracking system for the credits; and make changes to the mainframe. They will also require 1.0 FTE Applications Developer/Senior to develop tracking systems. PSL for FY2018-19 would be \$21,500.

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

Regardless of utilization, LB 1045 requires \$112,609 in one-time costs paid to the OCIO to make changes to NebFile; adding lines to the 1120N, 1041N, and 1040N; developing a tracking system for the credits; and making changes to the mainframe. The Department would also require 1.0 FTE IT Application Developer/Senior to develop the tracking system.