John Wiemer February 12, 2024 402-471-0051

LB 1158

Revision: 00 FISCAL NOTE LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)							
	FY 202	4-25	FY 2025-26				
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE			
GENERAL FUNDS							
CASH FUNDS							
FEDERAL FUNDS							
OTHER FUNDS							
TOTAL FUNDS	See Below	See Below	See Below	See Below			

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

LB 1047 would establish the Medical Debt Relief Act.

The bill would create the Medical Debt Relief Program to be administered by the State Treasurer. The State Treasurer would enter into a contract with a medical debt relief coordinator to purchase and discharge medical debt owed by eligible residents with money allocated for the program. A medical debt relief coordinator would report to the State Treasurer summary statistics regarding eligible residents whose medical debt has been discharged. A medical debt relief coordinator would continue to fulfill its contractual obligations to the State Treasurer until all money contracted to the medical debt relief coordinator is exhausted, regardless of whether money allocated to the program has been exhausted. On or before October 1, 2025 and each year after for as long as medical debt relief coordinators are fulfilling their contractual obligations under the Act, the State Treasurer would submit an annual report regarding the program.

The Act would create the Medical Debt Relief Fund. The fund would be administered by the State Treasurer and would be used to carry out the Act. The fund would consist of money transferred to the fund by the Legislature and money donated as gifts, bequests, or other contributions from public or private entities.

The State Treasurer could adopt and promulgate rules and regulations to carry out the Act.

Under the bill, for taxable years beginning on or after January 1, 2024 an individual could reduce his or her federal adjusted gross income by the amount of interest and principal balance of medical debt discharged under the Act, to the extent included in such individual's federal adjusted gross come.

Also, under the bill, for taxable years beginning on or after January 1, 2024 federal adjusted gross income or, for corporations and fiduciaries, federal taxable income would be reduced by the amount of contributions made to the Medical Debt Relief Fund, to the extent not deducted for federal income tax purposes.

The operative date for this bill would be three months after adjournment.

LB 1047 does not specify the amount of state funds transferred into the Medical Debt Relief Fund. It is reasonable to assume that such transfer would be from the General Fund, and the amount required could be significant, depending upon the scope of the program. To the extent that any donations are received for credit to the fund, the amount of such donations would be deducted from the taxpayer's income, causing a reduction in General Fund revenue.

The State Treasurer's Office estimates that it can likely absorb any personnel and operating costs as a result of the contract detailed in the bill. However, there is estimated by the office to be costs connected to paying a contract but that cost is indeterminant.

The Department of Revenue (DOR) estimates a negative, indeterminant fiscal impact to General Fund revenues from this bill due to being unable to find reliable data sources. The DOR does estimate a one-time programming charge of \$156,874 to be paid to the Office of the Chief Information Officer (OCIO) as a result of the bill.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE

LB: 1158	AM:	AGENCY/POLT. SUB: State Treasurer	
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REVIEWED BY: Neil Sullivan DATE

DATE: 2/8/2024

PHONE: (402) 471-4179

COMMENTS: No basis to disagree with the State Treasurer assessment of indeterminate impact from LB 1158.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE

AGENCY/POLT. SUB: Department of Revenue

LB: 1158 AM:

REVIEWED BY: Neil Sullivan

DATE: 2/9/2024

PHONE: (402) 471-4179

COMMENTS: No basis to disagree with the Department of Revenue assessment of indeterminate fiscal impact from LB 1158.

Fiscal Note 2024

State Agency Estimate							
State Agency Name: Department of	Revenue		Date Due LFO:				
Approved by: James R. Kamm		Date Prepared:	LEAVE BLANK		Phone: 471-5896		
	FY 2024-2025		<u>FY 2025-2026</u>		<u>FY 2026-2027</u>		
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue	
General Funds	\$156,874	Indeterminable		Indeterminable		Indeterminable	
Cash Funds		Indeterminable		Indeterminable		Indeterminable	
Federal Funds							
Other Funds							
Total Funds	\$156,874	Indeterminable		Indeterminable		Indeterminable	
General Funds Cash Funds Federal Funds Other Funds	Expenditures \$156,874	4-2025 Revenue Indeterminable Indeterminable	<u>FY 202</u>	25-2026 <u>Revenue</u> Indeterminable Indeterminable	<u>FY 202</u>	Revenue Indeterminable Indeterminable	

LB 1158 adopts the Medical Debt Relief Act (Act) and creates the Medical Debt Relief Fund (Fund). The Fund is administered by the State Treasurer and will be used to carry out the Act. The Fund will consist of money transferred by the Legislature and money donated as gifts, bequests, or other contributions from public or private entities.

The Act establishes the Medical Debt Relief Program (program) which is administered by the State Treasurer. Under the program, the State Treasurer will contract with a medical debt relief coordinator (coordinator) to discharge medical debt of eligible residents with money allocated for the program.

For taxable years beginning on or after January 1, 2024, an individual may reduce his or her federal adjusted gross income (AGI) by the amount of interest and principal balance of medical debt discharged under the Act to the extent it is included in the individual's federal AGI. For taxable years beginning on or after January 1, 2024, federal AGI or taxable income, for corporations and fiduciaries, must be reduced by contributions made to the Fund, to the extent it is not deducted federally.

The Act defines an eligible resident as an individual eligible for relief who: (a) is a resident of Nebraska; and (b) has a household income at or below 400% of the federal poverty guidelines or has medical debt equal to 5% or more of the individual's household income. Medical debt means an obligation to pay money arising from the receipt of health care services. Health care provider means (a) a facility licensed under the Health Care Facility Licensure Act; and (b) a health care professional licensed under the Uniform Credentialing Act. Medical debt relief coordinator means a person, company, partnership, or other entity that can discharge medical debt of an eligible resident in a manner that does not result in taxable income for the eligible resident.

The revenue impact of LB 1158 will have a negative, however indeterminable, impact to the General Fund revenue as settlements and donations would reduce taxable income and decrease taxable income hence decrease in Nebraska tax liability. The Department of Revenue is unable to find reliable data sources regarding medical debts and likelihood of taxpayers to donate to the fund and not able to take the deduction at the federal level to estimates the fiscal impact to the General Fund revenue.

Major Objects of Expenditure								
<u>Class Code</u>	Classification Title	24-25 <u>FTE</u>	25-26 <u>FTE</u>	26-27 <u>FTE</u>	24-25 <u>Expenditures</u>	25-26 <u>Expenditures</u>	26-27 <u>Expenditures</u>	
Benefits								
Operating Costs	\$156,874							
Capital Outlay								
Capital Improvement								
Total	\$156,874							

LB 1158 will require a one-time programming charge of \$156,874 paid to the OCIO to add lines and schedules to the Forms 1040N, 1120N, 1120-SN, 1041N, and 1065N as well as to the NebFile and Modernized e-file online filing systems.

The operative date for this bill is three months after adjournment.

Please complete <u>ALL</u> (5) blanks in the first three lines.

LB ⁽¹⁾ 1158					FISCAL NOTE
State Agency OR Political	Subdivision Name: ⁽²⁾	State Treasurer			
Prepared by: ⁽³⁾ Jason	Walters	Date Prepared: ⁽⁴⁾	Jan. 22, 2024	Phone: (5)	402-471-2793
	<u>ESTIMATE PROVI</u>	<u>DED BY STATE AGEN</u>	NCY OR POLITICAL	SUBDIVIS	ION
	FY	2024-25		FY 2025	-26
	EXPENDITURES	REVENUE	EXPENDITU		REVENUE
GENERAL FUNDS					
CASH FUNDS					
FEDERAL FUNDS					
OTHER FUNDS					
TOTAL FUNDS					

Explanation of Estimate:

LB 1158 states that the State Treasurer shall enter into a contract with a Medical Debt Relief Coordinator.

The Treasurer can likely absorb any increased personnel and operating costs to manage the Medical Debt Relief Coordinator contract. There will be a fiscal impact to the Treasurer's Office for the Medical Debt Relief Coordinator, however, the cost to hire a contractor is not known.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE								
Personal Services:								
POSITION TITLE	NUMBER OF POSITIONS <u>24-25</u> <u>25-26</u>		2024-25 <u>EXPENDITURES</u>	2025-26 EXPENDITURE				
Benefits								
Operating								
Travel								
Capital outlay								
Aid								
Capital improvements								
TOTAL								