

**FISCAL NOTE**  
**LEGISLATIVE FISCAL ANALYST ESTIMATE**

<b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)</b>				
	<b>FY 2017-18</b>		<b>FY 2018-19</b>	
	<b>EXPENDITURES</b>	<b>REVENUE</b>	<b>EXPENDITURES</b>	<b>REVENUE</b>
GENERAL FUNDS	\$151,672	\$0	\$136,472	\$0
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
<b>TOTAL FUNDS</b>	<b>\$151,672</b>	<b>\$0</b>	<b>\$136,472</b>	<b>\$0</b>

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

LB 165 amends Nebraska Revised Statute Section 77-2753 regarding employee verification requirements.

The bill adds language to the statute to require every employer making payment of wages subject to withholding to register with the Tax Commissioner to be assigned an employer identification number. This registration is to be renewed annually.

It shall be unlawful for any employer to maintain an office or conduct business in Nebraska after January 1, 2018 unless they have registered and been assigned an employer identification number.

Also beginning January 1, 2018 every employer required to register as provided above shall also register with and use the federal immigration verification system to determine work eligibility status of new employees subject to withholding. Such employers shall not knowingly employ an unauthorized alien, and shall submit an affidavit to the Tax Commissioner stating they are in compliance. The verification requirement does not apply to employees hired prior to January 1, 2018.

An employer who fails to comply with these requirements may have their identification number suspended or revoked by the Tax Commissioner. An employer whose identification number revoked or suspended may be reinstated after coming into compliance and paying a fee of \$50 to the Tax Commissioner for reinstatement. The bill does not specify where the fee is to be credited. Appeals may be made by the employer according to the Nebraska Administrative Procedures Act.

There is no fiscal impact to the General Fund as a result of the provisions of LB 165.

The Department of Revenue indicates that LB 165 will require one-time programming costs of \$80,758 paid to the Office of the CIO for development. In addition, the Department will require 2.0 FTE Revenue Operations Clerk II, and 0.5 FTE Revenue Agent and 0.5 FTE Fiscal Compliance Analyst to administer the bill. PSL will be \$45,800 and \$98,851 for FY2017-18 and FY2018-19, respectively.

We have no basis to disagree with the Department of Revenue's estimate of cost to implement the provisions of LB 165.

**State Agency Estimate**

State Agency Name: Department of Revenue		Date Due LFA: 02/17/2017				
Approved by: Tony Fulton		Phone: 471-5896				
Date Prepared: 02/13/2017						
	<b>FY 2017-2018</b>		<b>FY 2018-2019</b>		<b>FY 2019-2020</b>	
	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>
General Funds	\$151,672		\$131,472		\$133,444	
Cash Funds						
Federal Funds						
Other Funds						
<b>Total Funds</b>	<b>\$151,672</b>		<b>\$131,472</b>		<b>\$133,444</b>	

LB 165 makes it unlawful for any employer making payment of any wages subject to withholding to maintain an office or transact business within Nebraska after January 1, 2018, unless the employer has registered with the Tax Commissioner for a state identification number which must be renewed annually.

Beginning January 1, 2018, every employer required to register with the Tax Commissioner must also register with the federal immigration verification service to electronically verify the work eligibility status of new employees subject to withholding. The employers may not knowingly employ an unauthorized alien and must file a sworn affidavit with the Tax Commissioner stating compliance with the law. An unauthorized alien is one who does not have the legal right or authorization under federal law to work in the United States as described in 8 U.S.C. § 1324a(h)(3).

If the employer does not comply with any provision of the legislation, after notice and a hearing, the Tax Commissioner may revoke or suspend the state identification number. The Tax Commissioner must use the federal government’s determination pursuant to U.S.C. § 1373(c) to determine whether an employee is an unauthorized alien. Reinstatement of the state identification number may occur upon compliance, the filing of a sworn affidavit, and a payment of \$50. The bill provides that the actions of the Tax Commissioner may be appealed in accordance with the Administrative Procedure Act.

LB 165 will require a one-time programming charge of \$80,758 to be paid to the OCIO for development costs.

The bill will call for the addition of two full time Revenue Operations Clerks II for processing activities associated with these changes. Also, the bill will require the addition of a 0.5 FTE Revenue Agent and a 0.5 FTE Fiscal Compliance Analyst for enforcement purposes.

It is estimated that the bill will have minimal impact on General Fund revenues.

**Major Objects of Expenditure**

Class Code	Classification Title	17-18	18-19	19-20	17-18	18-19	19-20
		FTE	FTE	FTE	Expenditures	Expenditures	Expenditures
S29112	Revenue Operations Clerk II	1.5	2.0	2.0	\$45,800	\$61,829	\$62,757
X29222	Revenue Agent		0.5	0.5	\$0	\$17,690	\$17,955
A21211	Fiscal Compliance Analyst		0.5	0.5	\$0	\$19,332	\$19,622
	Benefits.....				\$ 15,114	\$ 32,621	\$ 33,110
	Operating Costs.....				\$ 80,758	\$0	\$0
	Travel.....						
	Capital Outlay.....				\$10,000	\$5,000	\$0
	Aid.....						
	Capital Improvements.....						
	<b>Total.....</b>				<b>\$151,672</b>	<b>\$136,472</b>	<b>\$133,444</b>