

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2021-22		FY 2022-23	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$59,942			
CASH FUNDS	\$35,773,000	\$35,773,000	\$87,644,000	\$87,644,000
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$35,832,942	\$35,773,000	\$87,644,000	\$87,644,000

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

LB 625 seeks to amend the Nebraska Revenue Act of 1967 to impose a surtax on high-income individuals, beginning January 1, 2022. The rate of the surtax is 4%, and it is to be collected on income in excess of the following, dependent on the individual's filing status:

- For filers that are married filing jointly or head of household: taxable income greater than \$1 million; and
- For all other filing statuses: taxable income greater than \$500,000.

Under LB 625, the funds received from this surtax are to be credited to the Early Childhood Education Endowment Cash Fund. These funds are then to be used to fund the Early Childhood Education Grant Program (Program) for at-risk children from birth to age three.

LB 625 requires the Tax Commissioner to adjust income tax forms to include the calculation of the surtax.

Additionally, LB 625 amends sections relating to the Early Childhood Education Grant Program. First, the due date for the Department of Education's report evaluating programs is changed from January 1 of each odd-numbered year to December 31 of each year.

Along with this, the maximum percent of the total appropriation for the Program that can be reserved for evaluation and technical assistance for the programs is reduced from 5% to 1%.

Lastly, LB 625 reduces the percent of the total amount deposited into the Early Childhood Education Endowment Cash Fund each fiscal year that may be reserved for evaluation and technical assistance for the Program by the Department of Education from 10% to 1%.

Revenue:

The Department of Revenue estimates that the surtax imposed by LB 625 will have the following impact on revenue for the Early Childhood Education Endowment Cash Fund:

- FY21-22: \$35,773,000
- FY22-23: \$87,644,000
- FY23-24: \$92,026,000
- FY24-25: \$96,627,000

There is no basis to disagree with these estimates.

Expenditures:

The Department of Education expects that all revenue received by the surtax to the Early Childhood Education Endowment Cash Fund will be expended. The funds would be available to the Sixpence Board of Trustees for distribution to School Districts. One percent would be given to the Nebraska Children and Families Foundation for evaluation and technical assistance relating to the Program.

The Department of Revenue estimates a one-time OCIO charge of \$59,942 to implement LB 625. There is no basis to disagree with this estimate.

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

LB: 625 AM: AGENCY/POLT. SUB Department of Revenue

REVIEWED BY: Gary Bush DATE: 2/23/21 PHONE: (402) 471-4161

COMMENTS: No basis to disagree with the agency on the fiscal impact to the bill.

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

LB: 625 AM: AGENCY/POLT. SUB: Nebraska Department of Education

REVIEWED BY: Gary Bush DATE: 1/29/21 PHONE: (402) 471-4161

COMMENTS: Disagree with the estimate of how much would be collected on a surtax. The Department of Education is not responsible for the collection of surtaxes.
Unable to provide comment on the fiscal impact to the agency as none was provided. It is expected the impact will be minimal as the bill appears to provide additional funding for Early Childhood Education Endowment Cash Fund and no additional programmatic requirements.

The surtax is estimated to generate the following amounts for the Early Childhood Education Endowment Cash Fund:

FY21-22	\$ 35,773,000
FY22-23	\$ 87,644,000
FY23-24	\$ 92,026,000
FY24-25	\$ 96,627,000

LB 625 will require the addition of a line to Form 1040N and a line to NebFile totaling an estimated \$59,942 in one-time programming charge paid to the OCIO. Ongoing costs to the Department of Revenue to implement this bill are minimal.

Please complete ALL (5) blanks in the first three lines.

2021

LB⁽¹⁾ 625

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Education

Prepared by: ⁽³⁾ Melody Hobson Date Prepared: ⁽⁴⁾ 1/21/2021 Phone: ⁽⁵⁾ 402-471-0263

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2021-22</u>		<u>FY 2022-23</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	Exact figures are unknown	Exact figures are unknown	Exact figures are unknown	Exact figures are unknown
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS				

Explanation of Estimate:

A 4% surtax on individuals who file income tax jointly or as head of household making more than \$1 million and a 4% surtax on individuals who file income tax as any other status and making more than \$500,000 would collect an estimated \$100 million per year.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2021-22</u>	<u>2022-23</u>
	<u>21-22</u>	<u>22-23</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Benefits.....				
Operating.....				
Travel.....				
Capital outlay.....				
Aid.....			100%	100%
Capital improvements.....				
TOTAL.....				

All tax money collected will go to the Early Childhood Education Endowment Cash fund. This will be available to the Sixpence Board of Trustees to grant out to School Districts and their partners. Up to 1% will be directed to the Endowment provider (Nebraska Children and Families Foundation) for technical assistance and evaluation.