Doug Gibbs March 01, 2011 402-471-0051

Revision: 00

## FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *					
	FY 2011-12		FY 2012-13		
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE	
GENERAL FUNDS	\$8,700	\$37,556,000	\$0	\$27,541,000	
CASH FUNDS					
FEDERAL FUNDS					
OTHER FUNDS					
TOTAL FUNDS	\$8,700	\$37,556,000	\$0	\$27,541,000	

<sup>\*</sup>Does not include any impact on political subdivisions. See narrative for political subdivision estimates.

LB 632 amends Nebraska Revised Statute Section 77-2716, to require an addback of federal bonus depreciation taken under the Internal Revenue Code of 1986 section (k) (5) and increase income by the amount of any deduction claimed under section 179 of the Internal Revenue Code of 1986.

The Department of Revenue estimates the following fiscal impact to the General Fund:

	Individual Income Tax:	Corporate Income Tax:	<u>Total:</u>
FY2011-12:	\$ 27,973,000	\$ 9,583,000	\$ 37,556,000
FY2012-13:	\$ 8,023,000	\$ 19,519,000	\$ 27,541,000
FY2013-14:	\$ 257,000	\$ 10,288,000	\$ 10,546,000
FY2014-15:	\$ 0	\$ 353,000	<b>\$ 3</b> 53,000

The bill will require line changes to several income tax forms. The Department estimated programming costs to be \$8,700.

The Department of Revenue also indicated that the federal depreciation, or the gain computed when the item is sold using the federal basis, may not be adjusted in future years because of the amount added back. If a company takes the 100% bonus depreciation, there will be no state income tax deductions for that property.

For 2012, the bill will result in no General Fund impact on the 50% bonus depreciation portion because the bill appears to reference an incorrect Internal Revenue Code section.

There is no basis to disagree with the Department of Revenue's estimate of fiscal impact and cost.

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LB 632 LEGISLATIVE FISCAL Fiscal Note 2011

		State Agency	Estimate				
State Agency Name: Department	of Revenue				Date Due LFA:	2/28/2011	
Approved by: Douglas Ewald		Date Prepared:	2/28/2011		Phone: 471-5700		
	FY 2011-2012		FY 2012-2013		FY 2013-2014		
	Expenditures	Revenue	Expenditures	Revenue	<b>Expenditures</b>	Revenue	
General Funds	\$8,700	\$37,556,000	\$0	\$27,541,000	\$0_	\$10,546,000	
Cash Funds							
Federal Funds							
Other Funds				·· <del>····</del>			
Total Funds	\$8,700	\$37,556,000	\$0	\$27,541,000	\$0	\$10,546,000	

LB 632 requires the addback of the amount of the federal bonus depreciation allowed for 2011 for state income tax purposes. The federal depreciation, or the gain computed when the item is sold using the federal basis, may not be adjusted in future years because of the amount added back. If a company takes the 100% bonus depreciation, there will be no state income tax deductions for that property.

For 2012, LB 632 will result in no General Fund impact on the 50% bonus depreciation because the bill appears to reference an incorrect Internal Revenue Code section.

The bill will result in line changes to several income tax forms. Programming costs are estimated to be \$8,700. On-going administrative costs are expected to be minimal.

The impact to the General Fund is estimated as follows:

Fiscal Year	Individual Income Tax	Corporate Income Tax	General Fund Impact
FY 2011-12 FY 2012-13	\$27.973 million \$ 8.023 million	\$ 9.583 million \$19.519 million	\$37.556 million \$27.541 million
FY 2013-14	\$ 0.257 million	\$10.288 million	\$10.546 million
FY 2014-15	\$ 0.000 million	\$ 0.353 million	\$ 0.353 million

The bill carries the emergency clause.

Major Objects of Expenditure							
Class Code	Classification Title	11-12 <u>FTE</u>	12-13 FTE	13-14 <u>FTE</u>	11-12 Expenditures	12-13 Expenditures	13-14 Expenditures
Benefits							
Operating Costs		• • • • • • • • • • • • • • • • • • • •			\$8,700	\$0	\$1
Capital Outlay		•••••					
Aid			•••••				
							<del></del>
Total					\$8,700	\$0	\$