PREPARED BY: DATE PREPARED: PHONE: Doug Gibbs January 27, 2017 402-471-0051

**LB 174** 

Revision: 00

## **FISCAL NOTE**

## **LEGISLATIVE FISCAL ANALYST ESTIMATE**

| ESTIMATE OF FISCAL IMPACT - STATE AGENCIES (See narrative for political subdivision estimates) |              |         |              |               |  |  |  |
|--|--------------|---------|--------------|---------------|--|--|--|
|  | FY 201       | 7-18    | FY 2018-19   |               |  |  |  |
|  | EXPENDITURES | REVENUE | EXPENDITURES | REVENUE       |  |  |  |
| GENERAL FUNDS  | \$177,778    | \$0     | \$25,711     | (\$2,500,000) |  |  |  |
| CASH FUNDS   |              |         |              |               |  |  |  |
| FEDERAL FUNDS  |              |         |              |               |  |  |  |
| OTHER FUNDS  |              |         |              |               |  |  |  |
| TOTAL FUNDS  | \$177,778    | \$0     | \$25,711     | (\$2,500,000) |  |  |  |

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

LB 174 creates the Apprenticeship Training Program Tax Credit Act and amends Nebraska Revised Statutes Sections 77-2715.07, 77-2717, and 77-2734.03.

Between November 1 and December 31 of each year, a taxpayer planning to employ one or more apprentices during the following calendar year may apply to the Department of Revenue for a nonrefundable credit against Nebraska income tax.

The application shall include the following information:

- a) Name and address of the taxpayer;
- b) Total number of apprentices that will be employed during the following calendar year;
- c) Number of hours expected to be worked by each apprentice during the following calendar year;
- d) Total wages expected to be paid to each such apprentice during the following calendar year; and
- e) Any other documentation required by the Department.

The tax credit is to be in an amount that is equal to one dollar multiplied by the total number of hours expected to be worked by an apprentice as part of a qualified apprenticeship program during the following calendar year. The credit may not exceed the lesser of the following:

- a) \$2,000; or
- b) 50% of the total wages paid to the apprentice during the calendar year.

The total amount of credits available in a taxable year is capped at \$2,500,000 for all claimants. Tax credits not fully used may be carried over until fully utilized. Applications for the credit are to be considered in the order in which they received.

The credit shall be available for taxable years beginning January 1, 2018.

A qualified apprenticeship program is one that is:

- a) Administered according to 29 U.S.C. 50;
- b) Consists of at least 1,200 hours but no more than 8,000 hours of on-the-job apprenticeship;
- c) Is certified in accordance with regulations adopted by the U.S. Bureau of Apprenticeship and Training; and
- d) Is administered by trustees.

The Department of Revenue estimates the fiscal impact of LB 174 as follows:

FY2017-18: \$ 0 FY2018-19: (\$ 2,500,000) FY2019-20: (\$ 2,500,000) FY2020-21: (\$ 2,500,000)

The Department indicates that LB 174 would require a one-time programming charge of \$96,916 paid to the Office of the CIO for mainframe and web development changes. The Department will need to hire IT contractors to implement an IT application to track credits. In addition, the Office of the CIO estimates an additional cost of \$47,500 for hiring contractors to implement the application. The Department will also require 0.5 FTE Revenue Tax Specialist in FY2017-18 and 0.5 FTE Fiscal Compliance Analyst in subsequent years. PSL for the respective fiscal years of the biennium will be \$25,084 and \$19,332.

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

| State Agency Estimate |                                       |                |  |   |  |  |
|-----------------------|---------------------------------------|----------------|--|---|--|--|
| f Revenue             |                                       |                |  | Date Due LFA:   | 1/30/2017  |  |
|                       | Date Prepared:                        | 1/27/2017      |  | Phone: 471-5896   |  |  |
| FY 2017-              | -2018                                 | FY 2018        | -2019  | FY 201  | 9-2020   |  |
| Expenditures          | Revenue                               | Expenditures   | Revenue  | Expenditures  | Revenue  |  |
| \$177,778             | \$0                                   | \$25,711       | (\$2,500,000)  | \$26,097  | (\$2,500,000)  |  |
|                       |                                       |                |  |   |  |  |
|                       |                                       |                |  |   |  |  |
|                       |                                       |                |  |   |  |  |
| \$177,778             | \$0                                   | \$25,711       | (\$2,500,000)  | \$26,097  | (\$2,500,000)  |  |
|                       | FY 2017-<br>Expenditures<br>\$177,778 | Date Prepared: | Date Prepared: 1/27/2017   FY 2017-2018   FY 2018   Expenditures   Revenue   Expenditures   \$177,778   \$0   \$25,711 | Date Prepared: 1/27/2017   FY 2017-2018   FY 2018-2019   Expenditures   Revenue   Expenditures   Revenue   \$177,778   \$0   \$25,711   (\$2,500,000) | Date Due LFA:   Date Prepared: 1/27/2017   Phone: 471-5896 |  |

LB 174 provides a nonrefundable income tax credit, for taxable years beginning on or after January 1, 2018, for wages paid to qualified apprentices. An employer must apply for the tax credit and estimate the total number of apprentices that will be employed, the number of hours expected to be worked by each apprentice, and the total wages expected to be paid to each apprentice during the following calendar year.

The Department must review and approve the application and certify the amount of tax credits for the employer. The Department will consider the applications in the order received and may approve up to two million, five hundred thousand dollars in tax credits per calendar year. The employer must file the certification of tax credits with their tax return. Any tax credits, claimed, but not used may be carried forward until fully utilized.

The tax credit is equal to one dollar multiplied by the total number of hours expected to be worked during the following calendar year by apprentices employed by the taxpayer, except that the amount of credit with regard to any individual apprentice will not exceed \$2,000 or 50% of the total wages paid to the apprentice during the following calendar year, whichever is less.

A qualified apprenticeship training program is defined as a program that is administered pursuant to 29 U.S.C. 50; consists of at least 1,200 hours but not more than 8,000 hours of on-the-job apprenticeship training in the construction trades; certified in accordance with regulations adopted by the Office of Apprenticeship of the United States Department of Labor; and is administered by trustees.

The estimated total reduction to the General Fund would be as follows:

| FY 2017-2018 | \$<br>0         |
|--------------|-----------------|
| FY 2018-2019 | \$<br>2,500,000 |
| FY 2019-2020 | \$<br>2,500,000 |
| FY 2020-2021 | \$<br>2,500,000 |

| Major Objects of Expenditure |                           |       |            |            |                 |                     |                     |
|------------------------------|---------------------------|-------|------------|------------|-----------------|---------------------|---------------------|
|                              |                           | 17-18 | 18-19      | 19-20      | 17-18           | 18-19               | 19-20               |
| Class Code                   | Classification Title      | FTE   | <u>FTE</u> | <u>FTE</u> | Expenditures    | <b>Expenditures</b> | <b>Expenditures</b> |
| A21211                       | Fiscal Compliance Analyst | 0.0   | 0.5        | 0.5        | \$0             | \$19,332            | \$19,622            |
| A29621                       | Revenue Tax Specialist    | 0.5   | 0.0        | 0.0        | \$25,084        | \$0                 | \$0                 |
|                              |                           |       |            |            |                 |                     |                     |
|                              |                           |       |            |            |                 |                     |                     |
| D C.                         |                           |       |            | l          | фо. <b>27</b> 0 | ⊕ ( 2 <b>7</b> 0    | DC 475              |
|                              |                           |       |            |            | \$8,278         | \$6,379             | \$6,475             |
| Operating Costs              |                           |       |            |            | \$144,416       |                     |                     |
| Travel                       |                           |       |            |            |                 |                     |                     |
| Capital Outlay               |                           |       |            |            |                 |                     |                     |
| Aid                          |                           |       |            |            |                 |                     |                     |
| Capital Improveme            | ents                      |       |            |            |                 |                     |                     |
|                              |                           |       |            |            | \$177,778       | \$25,711            | \$26,097            |

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LB 174 would require a one-time programming charge of \$96,916 paid to the OCIO for mainframe and web development changes. The Department would need to hire IT contractors to implement an IT application for LB 174 to track credits. The OCIO estimates an additional cost for hiring contractors of \$47,500 to implement the application. The Department will require 0.5 FTE Revenue Tax Specialist in the first year of implementation and 0.5 FTE Fiscal Compliance Analyst in subsequent years.

| LB <sup>(1)</sup> 174                     |                       |                              | FISCAL NOTE             |  |  |  |
|---|-----------------------|------------------------------|-------------------------|--|--|--|
| State Agency OR Political Subdivision Nam | Nebraska Depar        | Nebraska Department of Labor |                         |  |  |  |
| Prepared by: (3)                          | Date Prepared: (4)    | Phone:                       | one: <sup>(5)</sup>     |  |  |  |
| ESTIMATE PR                               | OVIDED BY STATE AGENO | Y OR POLITICAL SURDIV        | TSION                   |  |  |  |
| ESTIMATETA                                | FY 2017-18            |                              | )18-19                  |  |  |  |
| <u>EXPENDIT</u>                           |                       | EXPENDITURES                 | REVENUE                 |  |  |  |
| GENERAL FUNDS                             |                       |                              |                         |  |  |  |
| CASH FUNDS                                |                       |                              |                         |  |  |  |
| FEDERAL FUNDS                             |                       |                              |                         |  |  |  |
| OTHER FUNDS                               |                       |                              |                         |  |  |  |
| TOTAL FUNDS                               |                       |                              |                         |  |  |  |
|   | DOWN BY MAJOR OBJECTS | OF EXPENDITURE               |                         |  |  |  |
| Personal Services:                        | NUMBER OF POSITIONS   | 1                            |                         |  |  |  |
| POSITION TITLE                            | 17-18 18-19           | S 2017-18  EXPENDITURES      | 2018-19<br>EXPENDITURES |  |  |  |
|   | <del>-</del>          |                              |                         |  |  |  |
| Total Salaries                            |                       |                              |                         |  |  |  |
| Benefits                                  |                       |                              |                         |  |  |  |
| Operating                                 |                       |                              |                         |  |  |  |
| Capital outlay                            |                       |                              |                         |  |  |  |
| Aid                                       |                       |                              |                         |  |  |  |
| Capital improvements                      |                       |                              |                         |  |  |  |
| TOTAL                                     |                       |                              |                         |  |  |  |