Keisha Patent January 17, 2019 402-471-0059

LB 84

Revision: 00 FISCAL NOTE LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)							
	FY 2019-20		FY 2020-21				
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE			
GENERAL FUNDS	\$102,831			(\$2,375,000)			
CASH FUNDS							
FEDERAL FUNDS							
OTHER FUNDS							
TOTAL FUNDS							

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

LB 84 amends the Revenue Act of 1967 to provide a deduction to federal adjusted gross income, or for corporations and fiduciaries, federal taxable income, equal to 65% of wages paid by the taxpayer to an individual convicted of a felony. The deduction is available for wages paid in the first year of employment and cannot exceed \$20,000 per individual. The deduction is available for tax years beginning on or after January 1, 2020.

Revenue:

The Department of Revenue estimates revenue to the General Fund as follows:

FY19-20 \$0 FY20-21 (\$2,375,000) FY21-22 (\$2,390,000) FY22-23 (\$2,406,000)

Expenditures:

The Department of Revenue estimates LB 84 will require a one-time programming charge of \$102,831 to OCIO to add a line to Forms 1040N, 1120N, and 1041N.

Fiscal Note 2019

State Agency Estimate						
State Agency Name: Department of Revenue					Date Due LFA:	1/17/19
Approved by: Tony Fulton Date Prepared:		1/17/19		Phone: 471-5896		
	FY 2019	-2020	FY 202	0-2021	FY 20 2	21-2022
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue
General Funds	\$102,831	\$0		(\$2,375,000)		(\$2,390,000)
Cash Funds						
Federal Funds						
Other Funds						
Total Funds	\$102,831	\$0		(\$2,375,000)		(\$2,390,000)

LB 84 amends § 77-2716 to allow a deduction from federal adjusted gross income or, for corporations and fiduciaries, federal taxable income in the amount of 65% of the wages paid in the first 12 months of employment to a person who has been previously convicted of a felony in any state. The total deduction with respect to any one employee shall not exceed \$20,000.

Based on the ProCon.org survey, the Department estimates the total number of persons in Nebraska with a felony conviction is approximately 23,000. Based on Employment Screening Resources survey, the employment rate for ex-offenders is around 73% and assuming that 30% of jobs holders change jobs annually, the Department estimates that LB 84 will reduce the General Fund revenues as follows:

FY19-20	\$-
FY20-21	\$2,375,000
FY21-22	\$2,390,000
FY22-23	\$2,406,000

This bill is operative for taxable years beginning on or after January 1, 2020.

LB 84 will require a one-time programming charge of \$102,831 paid to the OCIO to add a line to Forms 1040N, 1120N, and 1041N.

Major Objects of Expenditure								
<u>Class Code</u>	Classification Title	19-20 <u>FTE</u>	20-21 <u>FTE</u>	21-22 <u>FTE</u>	19-20 <u>Expenditures</u>	20-21 <u>Expenditures</u>	21-22 Expenditures	
Benefits								
Operating Costs				\$102,831				
Travel								
Capital Outlay								
Capital Improvements								
Total					\$102,831			