PREPARED BY: DATE PREPARED: PHONE: Doug Gibbs February 10, 2015 402-471-0051

LB 372

Revision: 00

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT — STATE AGENCIES (See narrative for political subdivision estimates)						
	FY 201	5-16	FY 2016-17			
	EXPENDITURES REVENUE		EXPENDITURES	REVENUE		
GENERAL FUNDS	\$88,565	\$0	\$0	(\$351,000)		
CASH FUNDS						
FEDERAL FUNDS						
OTHER FUNDS						
TOTAL FUNDS	\$88,565	\$0	\$0	(\$351,000)		

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

LB 372 creates the First-time Home Buyer Savings Plan Act.

The bill allows an individual, or jointly with another individual, to establish a first-time home buyer savings account in a financial institution authorized to do business in Nebraska. The account may be used to pay eligible costs for the purchase of a single-family residence in Nebraska. Eligible costs include the down payment and allowable closing costs. The account holder may claim first-time home buyer savings account status for up to \$50,000 in the account.

Non-qualified withdrawals from the account are subject to a five percent penalty and recapture of income that was subtracted pursuant to Section 77-2716; except no penalty is assessed in the event funds were withdrawn because of the beneficiary's death or disability, for a bankruptcy, or transferred to another first-time home buyer savings account for the benefit of another beneficiary.

The bill also provides a criminal penalty, a Class I misdemeanor, for any person who knowingly prepares a false claim, statement, or billing to avoid or evade taxes or penalties upon a non-qualified withdrawal of funds from the account.

LB 372 excludes all interest or other income attributable to the first-time home buyers savings account from Nebraska income tax.

The bill also provides that an account holder shall be subject to Nebraska income tax to the extent of any loss deducted as a capital loss for federal income tax purposes attributable to the account.

The bill is operative for tax years beginning January 1, 2016 and thereafter.

The Department of Revenue estimates the following fiscal impact of LB 372 to the General Fund:

FY2015-16: \$ 0 FY2016-17: (\$ 351,000) FY2017-18: (\$ 365,000) FY2018-19: (\$ 379,000)

The Department of Revenue indicates a cost of \$88,565 for mainframe programming and web development costs.

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

State Agency Estimate						
State Agency Name: Departmer	nt of Revenue				Date Due LFA:	2/9/2015
Approved by: Len Sloup		Date Prepared:	2/9/2015		Phone: 471-5896	
	FY 2015-	<u>-2016</u>	FY 2016-2017		FY 2017-2018	
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue
General Funds	\$88,565	\$0		(\$351,000)		(\$365,000)
Cash Funds						
Federal Funds						
Other Funds						
Total Funds	\$88,565	\$0		(\$351,000)		(\$365,000)
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LB 372 provides a reduction to federal adjusted gross income for the taxable year for any income taxed as a capital gain or other income taxed for federal income tax purposes that is attributable to a first-time home buyer savings account established under the Act.

LB 372 also provides for an increase to federal adjusted gross income for any loss for the taxable year that was deducted as a capital loss for federal income tax purposes by an account holder attributable to a savings account established under the Act.

A qualified beneficiary may use the funds from an account for eligible costs regardless of whether such qualified beneficiary purchases the single-family residence as sole owner or jointly with another individual. An account holder may claim first-time home buyer status for up to \$50,000 per account. Non-qualified withdrawals are subject to a 5% penalty and recapture of previously granted benefits. A criminal penalty also applies to certain non-qualified withdrawals. The Department is required to issue guidelines applicable to account holders regarding the Act.

The Act is operative for tax years beginning January 1, 2016.

LB 372 is expected to decrease General Fund revenue by the following amounts:

Fiscal Year	Gen	neral Fund
FY 2015-16	\$	0
FY 2016-17	\$	351,000
FY 2017-18	\$	365,000
FY 2018-19	\$	379,000

The bill will require a one-time charge of \$88,565 for mainframe programming and web development costs.

Major Objects of Expenditure							
Class Code	Classification Title	15-16 <u>FTE</u>	16-17 <u>FTE</u>	17-18 <u>FTE</u>	15-16 Expenditures	16-17 Expenditures	17-18 Expenditures
Benefits							
Operating Costs.					\$88,565		
Travel							
Capital Improvemen	ts						
					\$88,565		