

5/11/11

PREPARED BY: Jeanne Glenn  
DATE PREPARED: February 02, 2011  
PHONE: 471-0056

LB 389

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                                | 145,500      | (3,000,000) | 83,500       | (2,000,000) |
| CASH FUNDS                                   |              |             |              |             |
| FEDERAL FUNDS                                |              |             |              |             |
| OTHER FUNDS                                  |              |             |              |             |
| TOTAL FUNDS                                  | 145,500      | (3,000,000) | 83,500       | (2,000,000) |

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

LB 389 would establish the Angel Investment Tax Credit Act. The Department of Economic Development (DED) would be directed to administer provisions of the act, including certifying eligible businesses and investors, accepting tax credit applications, issuing tax credit certificates and reviewing annual reports filed by businesses and investors participating in the program. DED would be authorized to develop rules and regulations to carry out the program, and would also be allowed to engage in a contract with a statewide public or private nonprofit entity to serve as the agent for the agency in carrying out the act. DED estimates that the annual cost to carry out the program would total \$83,500 General Funds. One FTE staff position would be added to administer the program.

The Angel Investment Tax Credit Act would provide income tax credits to eligible investors, and would be capped at \$5,000,000 in a calendar year. Credits not allocated during a calendar year could not be carried forward to subsequent years.

LB 389 would lower the cap for the Nebraska Advantage Rural Development Act from \$4,000,000 to \$2,000,000 beginning with applications filed in calendar year 2012. Tax credits deemed unallocated under the Nebraska Advantage Rural Development Act in calendar year 2011 could be used for the purpose of the Angel Investment Tax Credit Act. In addition, beginning with applications filed in calendar year 2012, the cap for the Nebraska Advantage Microenterprise Tax Credit Act would be lowered from \$2,000,000 to \$1,000,000, plus tentative tax credits that were not granted at the end of the preceding year.

The Department of Revenue estimates that income tax credits claimed under the Angel Investment Tax Credit Act will total \$3,000,000 in FY11-12, resulting in a General Fund revenue loss. It is estimated that tax credits claimed under the program will total \$5,000,000 in FY12-13 and in subsequent fiscal years. Because the reduced caps (noted above) will offset the total revenue loss, the estimated revenue loss in FY12-13 and in subsequent years would total \$2,000,000.

The Department of Revenue would incur one-time costs to revise tax forms and to develop a tracking system for the use of tax credits. The agency estimates a one-time cost of \$62,000 General Funds.

DEPARTMENT OF ADMINISTRATIVE SERVICES

|   |           |      |         |       |          |
|---|-----------|------|---------|-------|----------|
| REVIEWED BY   | Gary Bush | DATE | 1/27/11 | PHONE | 471-2526 |
| COMMENTS  |           |      |         |       |          |
| DEPARTMENT OF ECONOMIC DEVELOPMENT: Agency's estimate of impact appears reasonable.<br>DEPARTMENT OF REVENUE: Agency's estimates appear to be reasonable. |           |      |         |       |          |

JAN 27 2011

**FISCAL NOTE** **LB389**  
**Department of Economic Development**

|                |               |
|----------------|---------------|
| Prepared By    | Young, Joseph |
| Date Prepared  | 1/26/2011     |
| Prepared Phone | 402-471-3783  |

**Estimate Provided By State Agency or Political Subdivision**

|                    | FY 2011-2012  |         | FY 2012-2013  |         |
|--------------------|---------------|---------|---------------|---------|
|                    | Expenditures  | Revenue | Expenditures  | Revenue |
| General Funds      | 83,500        |         | 83,500        |         |
| Cash Funds         |               |         |               |         |
| Federal Funds      |               |         |               |         |
| Other Funds        |               |         |               |         |
| <b>Total Funds</b> | <b>83,500</b> |         | <b>83,500</b> |         |

**Explanation of Estimate:**

LB 389 creates the Angel Investment Tax Credit Program. The bill calls on the Department of Economic Development (DED) to accept new duties. DED will issue a "tax credit certificate" to each qualified investor and certify to the Department of Revenue (Revenue) the amount of the tax credit and tax year in which the investment was made. Because of the duties, DED estimates that one FTE be added to it's staff. This position would have to be of higher than average experiance as the certification process can be subjective and sensitive at times. The total DED requests is \$83,500.

**Major Objects of Expenditure**

| Position Title               | Number of Positions |                      | FY 2011-2012  | FY 2012-2013  |
|------------------------------|---------------------|----------------------|---------------|---------------|
|                              | FY 2011-2012        | FY 2012-2013         | Expenditures  | Expenditures  |
| Economic Development Manager | 1                   | 1                    | 54,275        | 54,275        |
|                              |                     | Benefits             | 29,225        | 29,225        |
|                              |                     | Operating            |               |               |
|                              |                     | Travel               |               |               |
|                              |                     | Capital outlay       |               |               |
|                              |                     | Aid                  |               |               |
|                              |                     | Capital improvements |               |               |
|                              |                     | <b>Total</b>         | <b>83,500</b> | <b>83,500</b> |

