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DATE PREPARED: April 01, 2016
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LB 884

Revision: 01

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

Revised due to adoption of amendments on General File.

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)

	FY 2016-17		FY 2017-18	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	$329,097	($7,852,000)	$25,746	($6,500,000)
CASH FUNDS		($318,000)		($263,000)
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	$329,097	($8,170,000)	$25,746	($6,763,000)

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

LB 884, as amended by AM2522, amends provisions of the Convention Center Facility Financing Assistance Act and the Sports Arena Facility Financing Assistance Act. In addition, the bill as amended incorporates the provisions of LB 951 creating the Affordable Housing Tax Credit Act.

The Department of Revenue has estimated the following fiscal impact of LB 884, as amended by AM2522:

Fiscal Year:	General Fund:	State Highway Capital Improvement Fund:	Highway Allocation Fund: (Local)	Total:
2016-17:	($ 7,852,000)	($318,000)	($56,000)	($ 8,226,000)
2017-18:	($ 6,500,000)	($263,000)	($46,000)	($ 6,809,000)
2018-19:	($12,605,000)	($327,000)	($58,000)	($12,990,000)
2019-20:	($13,123,000)	($343,000)	($61,000)	($13,527,000)

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

The Department of Revenue has indicated an expenditure of $329,097 to implement the provisions of LB 884 that now include the Affordable Housing Tax Credit Act. This includes a one-time programming charge of $258,036 paid to the Office of the CIO to add a line to the Form 1040N, 1120N, 1041N, and NebFile and to implement a tracking system for the affordable housing credits. They will require 1.0 FTE Revenue Tax Specialist in the first fiscal year and 0.5 FTE Fiscal Compliance Analyst to administer the bill in subsequent years. PSL for FY2016-17 will be $49,670 and $19,358 for FY2017-18.

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

IMPACT TO POLITICAL SUBDIVISIONS:

We estimate the following fiscal impact to the Highway Allocation Fund:

FY2016-17: ($ 56,000)
FY2017-18: ($ 46,000)
FY2018-19: ($ 58,000)
FY2019-20: ($ 61,000)

LB 884 AM 2522 Fiscal Note 2016

State Agency Estimate

State Agency Name: Department of Revenue			Date Due LFA: 4/1/2016
Approved by: Tony Fulton	Date Prepared: 3/30/2016		Phone: 471-5896

	FY 2016-2017		FY 2017-2018		FY 2018-2019	
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue
General Funds	$329,097	($7,852,000)	$25,746	($6,500,000)	$26,363	($12,605,000)
Cash Funds		($318,000)		($263,000)		($327,000)
Federal Funds						
Other Funds		($56,000)		($46,000)		($58,000)
Total Funds	$329,097	($8,226,000)	$25,746	($6,809,000)	$26,363	($12,990,000)

AM 2522 replaced LB 884 with an amended, more generous grant of turnback tax revenue under both the Convention Center Facility Financing Assistance Act and the Sports Arena Facility Financing Assistance Act. The amendment also added the provisions of LB 951, which grants state income tax credits to recipients of federal low-income housing tax credits.

The changes to the Convention Center Facility Financing Assistance Act would:

1. Expand the distance allowed to be an “associated hotel” from 200 (or 450) yards to a “program area” surrounding the convention or meeting center. The program area is generally 600 yards from the exterior walls of the convention or meeting center. But if more than 25% of that area is “unbuildable” meaning in a floodplain, an environmentally-protected area, a right-of-way, or a brownfield site, the program area could flow farther away from the convention and meeting center in another direction so long as the total area remained the same. This expansion of the program area is applicable for all existing beneficiaries;

2. Allow the turnback revenue to pay for capital improvements to the convention or meeting center in addition to servicing the debt;

3. Change the distribution of the turnback revenue from annual to quarterly. An annual certification of the amount would be provided to the Legislature for budgeting purposes; and

4. Allow 10% of the funds for a primary class city (Lincoln) to be used to provide low-income housing in areas with a high concentration of poverty.

The changes to the Sports Arena Facility Financing Assistance Act would:

1. Change the requirement that the applicant municipality issue or commit to issuing a general obligation bond to help finance the sports arena to allow the commitment or issue to be a revenue bond;

2. Change the turnback area for applications filed after the effective date of the act to exclude unbuildable property (as defined above) if it is more than 25% of the area within the 600 yard radius otherwise applicable. The program area would flow to other areas outside the 600 yard radius, so long as the total area is the same. The map provided at the application and hearing stage is to provide a description of the unbuildable area and the proposed program area;

3. Provide that for new applications for assistance, no more than 50% of the funding may come from the turnback revenue; and

4. Extend the time during which a nearby retailer would be considered “new,” thus allowing all its state sales taxes collected to be turned back to the city, from 24 months after occupancy of the sports arena facility, to 48 months after occupancy or the effective date of the act, whichever is later.

The addition of LB 951 provides as follows:

1. It allows an owner of an affordable housing project to apply to NIFA for approval of tax credits. The maximum amount of tax credits is the amount of the federal low-income tax credit available to the project. The project must be placed in service after January 1, 2018 and the credit would be awarded for the first six years of the credit period as defined in 26 U.S.C. § 42(f)(1). Generally, this means beginning with the year the building is placed in service, but at the election of the taxpayer, it may begin with the first year following. The Nebraska credit is allocated among some or all of the partners, members, or shareholders of the project in any manner agreed to.

2. The credit is nonrefundable and is available to both residents and nonresidents. A taxpayer may assign (sell) all or part of his or her ownership interest, including the Nebraska tax credits. To assign credits, the taxpayer is to file a written statement with his or her return specifying the amount of credits that were assigned. The amount of credits granted cannot exceed the total low-income housing credits in the state, but NIFA is prohibited from awarding any more credits than are necessary to make the project feasible. NIFA is to determine if the project qualifies and determine the amount of credits to be granted. Then, it issues an "eligibility statement" to the owner of the project.

3. The owner of the project is to submit the eligibility statement at the time of filing its tax return. NIFA or the Department may require other information as necessary. An insurance company claiming the credit against the insurance premium tax is not required to pay any additional retaliatory tax as a result. The use of the credit is also considered a payment of tax for purposes of the credit against the corporate income tax.

4. If a portion of any federal low-income housing tax credits are recaptured or disallowed within the six-year period, the same portion of the Nebraska credit is to be recaptured by the Department of Revenue. Recaptured credits are income to the owner. NIFA and the Department are authorized to adopt regulations to carry out the Affordable Housing Tax Credit Act.

5. AM 2522 would also amend the insurance premium tax section, § 77-908, the individual income tax section, § 77-2715.07, the fiduciary income tax section, § 77-2717, the corporate income tax section § 77-2734.03, and the Financial Institution Franchise Tax section, § 77-3806, to reference the Affordable Housing Tax Credit. With regard to the fiduciary income tax, the credit is incorporated for both the estate or trust and the beneficiaries, and for both residents and nonresidents.

It is estimated that AM 2522 would have the following impact to the General Funds and Cash Funds revenues:

Fiscal Year	General Funds	State Highway Capital Improvement Fund	Highway Allocation Fund (Cities and Counties)	Total
FY 2016-17	$ (7,852,000)	$ (318,000)	$ (56,000)	$ (8,226,000)
FY 2017-18	$ (6,500,000)	$ (263,000)	$ (46,000)	$ (6,809,000)
FY 2018-19	$ (12,605,000)	$ (327,000)	$ (58,000)	$ (12,990,000)
FY 2019-20	$ (13,123,000)	$ (343,000)	$ (61,000)	$ (13,527,000)

AM 2522 would require a one-time programming charge of $258,036 paid to the OCIO to add a line to the Forms 1040N, NebFile, 1120N, 1041N, and to implement a tracking system. The Department will require 1.0 FTE Revenue Tax Specialist to implement this bill in the first year and 0.5 FTE Fiscal Compliance Analyst to administer this bill in subsequent years.

The Convention Center Facility Financing Assistance Act sections and the Sports Arena Facility Financing Assistance Act sections would be operative October 1, 2016. The other sections are operative on their effective date in July.

Major Objects of Expenditure

Class Code	Classification Title	16-17 FTE	17-18 FTE	18-19 FTE	16-17 Expenditures	17-18 Expenditures	18-19 Expenditures
A21211	Fiscal Compliance Analyst	0.0	0.5	0.5	$0	$19,358	$19,822
A29621	Revenue Tax Specialist	1.0	0.0	0.0	$49,670	$0	$0
Benefits					$16,391	$6,388	$6,541
Operating Costs					$258,036		
Travel							
Capital Outlay					$5,000		
Aid							
Capital Improvements							
Total					$329,097	$25,746	$26,363