

Revised based on amendments adopted.

**FISCAL NOTE**  
**LEGISLATIVE FISCAL ANALYST ESTIMATE**

<b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)</b>				
	<b>FY 2019-20</b>		<b>FY 2020-21</b>	
	<b>EXPENDITURES</b>	<b>REVENUE</b>	<b>EXPENDITURES</b>	<b>REVENUE</b>
GENERAL FUNDS	58,188		See below	(\$0 to \$1,300,000)
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
<b>TOTAL FUNDS</b>	58,188		See below	(\$0 to \$1,300,000)

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

As amended, LB 86 would amend sections of law governing the Affordable Housing Trust Fund, establish provisions regarding the designation of extremely blighted areas under the Community Development Law, and would create a tax credit for the purchase of homes in areas designated as extremely blighted. The fiscal impact would include the below:

**Affordable Housing Trust Fund:** LB 86 as amended would revise sections of law governing the Affordable Housing Trust Fund. Currently, all entities receiving grants are required to provide matching funds equal to at least 10% of the total amount of assistance. LB 86 would limit the matching fund requirement to for-profit entities. The revisions would have no impact on the total amount of revenue received into the Affordable Housing Trust Fund or upon the total expenditures from the fund. Political subdivisions receiving future grants from the Affordable Housing Trust Fund would no longer be required to provide matching funds.

Amendments adopted to LB 86 would also expand the amount of information provided by the Department of Economic Development in its annual status report regarding the Affordable Housing Trust Fund. It is anticipated that the additional reporting requirements could be carried out using existing agency staff.

**Designation of extremely blighted areas:** LB 86 would establish a process to be used by cities for the designation of extremely blighted areas. The process would include public notification of the intention to declare an area extremely blighted, study and analysis of the proposed area, and a public hearing process. It is estimated that communities could accomplish the designation process using existing staffing and budgetary resources.

**Tax credit for home purchases in extremely blighted areas:** LB 86 as amended would establish a \$5,000 nonrefundable income tax credit on the purchase of a residence in an extremely blighted area. The credit would be based upon the following requirements: 1) the residence is located in an extremely blighted area; 2) it is the individual's primary residence; 3) It was not purchased from a family member of the individual or the individual's spouse. The tax credit would be claimed in the year that the residence is purchased, but if the credit could not be fully used in that year, it could be carried forward to subsequent taxable years. Credits would be subject to recapture by the Department of Revenue if the individual claiming the credit sells or transfers from the residence within five years after the year the credit was claimed. The tax credit would be effective on January 1, 2020 and extend until January 1, 2026.

There would be one-time costs to the Department of Revenue to revise tax forms to include the income tax credit. There is no basis to disagree with the Department of Revenue's cost estimate of \$58,188 in programming costs for FY19-20. The amount and timing of tax credits claimed will be based upon how many cities designate extremely blighted areas. It is anticipated that initial designations would be first carried out in FY19-20, with the first year of tax claims occurring in FY20-21. Tax credits in FY20-21 could reach \$1,300,000 and grow to as much as \$4,000,000 in subsequent years.

Costs to the Department of Revenue to track credits claimed and compliance with the 5 year residency requirement would also depend upon the number of communities declaring extremely blighted areas and the number of individuals claiming the tax credit. It is anticipated that future year expenses to the Department of Revenue could total \$45,000 to \$55,000, depending upon participation in the program. Until blighted area designations are actually carried out, it is difficult to assess the actual workload that may be experienced by the Department of Revenue.

**State Agency Estimate**

State Agency Name: Department of Revenue				Date Due LFA:			
Approved by: Tony Fulton				Date Prepared:			
				Phone: 471-5896			
	<b>FY 2019-2020</b>		<b>FY 2020-2021</b>		<b>FY 2021-2022</b>		
	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>	
General Funds	\$199,688	\$0	\$44,800	(\$1,300,000)	\$44,100	(\$2,660,000)	
Cash Funds							
Federal Funds							
Other Funds							
<b>Total Funds</b>	<b>\$199,688</b>	<b>\$0</b>	<b>\$44,800</b>	<b>(\$1,300,000)</b>	<b>\$44,100</b>	<b>(\$2,660,000)</b>	

LB 86 as amended by AM 1199 provides a nonrefundable income tax credit of 5,000 dollars for a person who purchases a house from someone other than a family member in an area designated as "extremely blighted" and makes it their primary residence. Extremely blighted is defined in Neb. Rev. Stat § 18-2103 as an area in which: (a) The average rate of unemployment in the area during the period covered by the most recent federal decennial census is at least two hundred percent of the average rate of unemployment in the state during the same period; and (b) the average poverty rate in the area exceeds twenty percent for the total federal census tract or tracts or federal census block group or block groups in the area.

The credit can be claimed in the year of purchase and carried forward until it is fully utilized. The credit is subject to recapture if the claimant sells the house or stops using it as their primary residence within 5 years after the end of the tax year when the credit is claimed. The bill is operative 3 months after adjournment.

The Department utilized data from the U.S. Census Bureau to determine the percent of tracts that would be defined as extremely blighted. Coupling this data with home sales data, the Department estimated the number of homes that would qualify for the credit. While the new operative date allows for the potential for an impact in FY 2019-2020, the Department assumes that minimal number of claims for the non-refundable credit during the 2019 tax year. The estimated reduction to the General Fund revenues would be as follows:

FY 2019-2020	\$	-
FY 2020-2021	\$	1,300,000
FY 2021-2022	\$	2,660,000
FY 2022-2023	\$	4,090,000

Due to the new operative date, the Department estimates 1.0 FTE Revenue Operations Analyst II indefinitely beginning in FY 2019-2020 and 1.0 FTE IT Application Developer Senior for FY 2019-2020, plus one-time costs of \$58,188 for OCIO mainframe and web development are required to implement the bill.

**Major Objects of Expenditure**

Class Code	Classification Title	19-20	20-21	21-22	19-20	20-21	21-22
		FTE	FTE	FTE	Expenditures	Expenditures	Expenditures
S29112	Revenue Operations Clerk II	1.0	1.0	1.0	\$31,700	\$33,700	\$33,200
A07012	IT Applications Developer/Senior	1.0	0.0	0.0	\$67,200	\$0	\$0
	Benefits.....				\$32,600	\$11,100	\$10,900
	Operating Costs.....				\$58,188		
	Travel.....						
	Capital Outlay.....				\$10,000	\$0	\$0
	Capital Improvements.....						
	<b>Total.....</b>				<b>\$199,688</b>	<b>\$44,800</b>	<b>\$44,100</b>