

Revised to correct agency expenditures

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2022-23		FY 2023-24	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$473,696	(\$2,000,000)	\$256,100	(\$14,300,000)
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$473,696	(\$2,000,000)	\$256,100	(\$14,300,000)

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

LB 1261 amends the Nebraska Advantage Rural Development Act to increase the total credits available for approved projects from \$1 million each calendar year to \$25 million. This increase would begin in calendar year 2022. AM2211 extends the act until 2027.

Additionally, the limit on the maximum credit that can be received by an approved applicant from \$150,000 to \$500,000. This change would occur for applications filed on or after the effective date of LB 1261.

AM2760 adds in the provision of LB 596 to adopt the Nebraska Higher Blend Tax Credit Act. The act creates a new refundable tax credit, beginning in tax year 2022, for retail dealers who sell and dispense E-15 or higher blend ethanol. The credit amount is 5 cents per gallon of E-15 sold and 8 cents per gallon of E-25 or higher blend sold. The bill provides for an application process for the credit.

Annual limits for the Nebraska Higher Blend Tax Credit Act are as follows:

- For tax year 2022: \$2,000,000
- For tax year 2023 and thereafter: 200% of the credits approved in the prior year, if the credits exceeded 90% of the limit to that year; or 100% of the credits approved in the prior year, if the credits did not exceed 90% of the limit in that year. In no case shall the annual limit exceed \$4,000,000.

The credit can be carried forward. The credit is available to members, shareholders, or beneficiaries or pass-through entities in the same manner as income distributed. No applications are allowed under the act after December 31, 2026. The Department of Revenue can adopt and promulgate rules and regulations to carry out the act.

LB 1261 has the emergency clause.

Revenue:

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

	NE Advantage Rural Development	NE Higher Blend Tax Credit	Total
FY22-23	\$0	(\$2,000,000)	(\$2,000,000)
FY23-24	(\$11,500,000)	(\$2,830,000)	(\$14,330,000)
FY24-25	(\$19,680,000)	(\$2,915,000)	(\$22,595,000)
FY25-26	(\$24,800,000)	(\$3,002,000)	(\$27,802,000)

Expenditures:

The department estimates a one time cost of \$206,396 for programming and development to OCIO, costs for 0.5 FTE tax specialist and 2.5 FTE application/developer senior level, for total costs of \$473,696 in FY22-23 and \$256,100 in FY23-24.

There is no basis to disagree with these estimates.

the tax credit on a form prescribed by the Department of Revenue (DOR). The tax credits may be distributed by a flow-through entity. No new applications will be filed under the Act after December 31, 2026. All applications and credits pending or approved before that date will continue in full force and effect.

If DOR determines that an application is complete and the taxpayer qualified for credits, DOR must approve the application and certify the credits up to the limit established by the Act. DOR must consider applications in the order in which they are received up to the annual credit limit.

For calendar year 2022, the annual limit is \$2 million. For calendar year 2023 and each calendar year thereafter, the annual limit on tax credits must be calculated by taking the annual limit from the prior year and then multiplying such amount by (a) 200% if the amount of approved tax credits in the prior calendar year exceeded 90% of the annual limit to that calendar year; or (b) 100% if the amount of approved tax credits in the prior calendar year did not exceed 90% of the annual limit to that calendar year. The annual credit limit will not exceed \$4 million.

Taxpayers claim credits by attaching the credit certification to the taxpayer’s tax return. Any credit in excess of the taxpayer’s tax liability will be refunded, or if the taxpayer elects, carried forward to subsequent tax years. The excess credit may be carried forward until fully used. Any tax credit allowable to a partnership, a limited liability company, a subchapter S corporation, or an estate or trust may be distributed to the partners, limited liability company members, shareholders, or beneficiaries in the same manner as income is distributed.

DOR may adopt and promulgate rules and regulations to carry out the Act.

AM 2760 also amends the Nebraska ImagiNE wage credit under Neb. Rev. Stat. § 77-6831(4)(a)(iii) and the investment credit under Neb. Rev. Stat. § 77-6831(5)(a)(iii) for investments of \$1 million and for hiring 10 new employees to apply when the new employees and investment are at a qualified location or locations within one or more counties that each have a population of less than 100,000.

The estimated fiscal impact to the General Fund revenues would be as follows:

Fiscal Year	Nebraska Advantage Rural Development Act	Nebraska Higher Blend Tax Credit Act	Total General Fund Revenues
FY 2022-23	\$ -	\$ (2,000,000)	\$ (2,000,000)
FY 2023-24	\$ (11,500,000)	\$ (2,830,000)	\$ (14,330,000)
FY 2024-25	\$ (19,680,000)	\$ (2,915,000)	\$ (22,595,000)
FY 2025-26	\$ (24,800,000)	\$ (3,002,000)	\$ (27,802,000)

The bill will require a one-time charge of \$206,396 paid to the OCIO for mainframe programming and development costs. This bill will require 0.5 FTE Tax Specialist, and 2.5 FTE IT Application Developer Seniors to develop the application and administer the program, including development of a new database to support the requirement for Nebraska Advantage Rural Development Act. The new data base will require 1 FTE at the Application/Developer Senior level which is included in the 2.5 total FTE.

This bill contains an emergency clause and becomes law upon enactment.