

Revised per Select File amendments

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2024-25		FY 2025-26	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$1,635,922	\$11,636,667	\$393,738	\$6,131,000
CASH FUNDS	\$90,000	\$310,863	\$70,000	\$1,060,651
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$1,725,922	\$11,947,530	\$463,738	\$7,191,651

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

LB 1317 was amended by AM3362, FA429, FA434, AM3378, FA435, FA440, AM3447, FA443, and AM3479 on Select File. Only the amendments from Select File connected to a fiscal impact will be discussed below. Thus, AM3362 will be discussed as it has an impact and AM3378/FA434/AM3479 will be discussed together as to their indeterminate fiscal impact. The details of LB 1317, as amended, are discussed below.

Incorporates Provisions of LB 1374

This part of the bill would make changes connected to the Good Life Transformational Projects Act. The changes would also allow for local government involvement and funding regarding good life districts.

We estimate an indeterminant, negative fiscal impact to General Fund revenues as a result of this aspect of the amendment.

Incorporates Provisions of LB 1295

This part of the bill would establish the Financial Institution Data Match Act. The DOR would operate a data match system with each financial institution doing business in the State of Nebraska.

Under the system, a financial institution would receive from the DOR a listing of tax debtors to be used in matches within the financial institution’s system. The financial institution would receive the listing within 30 days after the end of each calendar quarter subsequent to the effective date under the bill. Within 30 days after receiving the listing, the financial institution would match the listing to its records of accounts held in one or more person’s names which are open accounts or accounts that were closed within the preceding calendar quarter. The financial institution would provide the DOR with a match listing of all matches made within five working days of the match. The financial institution would submit all match listings by an electronic medium approved by the DOR. The DOR could enter into agreements with financial institutions doing business in the state to operate the data match system. A financial institution could charge a reasonable fee, not to exceed actual cost, to be paid by the DOR for the service of reporting matches. The DOR could contract with one or more vendors to develop the data match system and perform the matches.

Within 15 days after the end of FY 24-25 and each fiscal year after, the Tax Commissioner would determine and certify to the State Treasurer the following amounts:

- a) The total amount of any fees for services or reimbursements paid by the DOR or other costs incurred by the DOR during the previous fiscal year due to the contracts entered into; and
- b) The total amount of taxes, penalties, and interest collected during the previous fiscal year as a result of contracts entered into

After receiving the certification, the State Treasurer would transfer the lesser of, from the General Fund to the DOR Enforcement Fund:

- The amount certified in part a above; or
- 2% of the amount certified under part b above

This part of the bill is unchanged by the Select File amendments. In its previous fiscal note response, the DOR estimated that this part of the bill would have a positive, indeterminant impact on General Fund revenues. The DOR also estimated in a previous fiscal note on these provisions the costs at \$85,000 for FY25 and \$65,000 each fiscal year after out of the DOR Enforcement Fund for contract costs. Money to help cover some or all of these costs would be transferred from the General Fund to the DOR Enforcement Fund via the lesser of the contract costs or the 2% amount.

Incorporates Provisions of LB 1043 with Modifications

This part of the bill would require that a covered nonprofit organization that owns or acquires underutilized tax-exempt property located within a high-poverty area to develop such property within three years after the operative date or the date of acquiring such property, whichever is later. There would be penalties for failure to develop property and for attempting to sell property at a price that is more than 50% above market value.

This part of the bill may affect the use of tax increment financing (TIF) which in an equalized school district could affect state aid requirements. However, the timing and amounts of any impact related to TIF are unknowable.

Incorporates Provisions of LB 505/1218 with Modifications

This part of the bill would make changes to the fee for registration of each motor vehicle powered by an alternative fuel so that the fee would be \$150, except that for a motorcycle or plug-in hybrid electric vehicle the fee would be \$75 dollars.

This part of the bill would also establish an excise tax that would begin on January 1, 2028 of three cents per kilowatt hour on the electric energy used to charge the battery of a motor vehicle at a commercial electric vehicle charging station.

This part of the bill would add a sales and use tax exemption, operative on January 1, 2025, for electric energy when stored, used, or consumed by a motor vehicle and the electricity was subject to the excise tax described above.

Any tax that could be collected and sales and use tax exemptions under this aspect of the amendment, would start to be collected and be exempted in 2028. The DOR noted in a previous fiscal note on these provisions that the excise tax is levied at the consumer level and there is no requirement for charging station operators to be licensed by the DOR and report the tax. The DOR has estimated in its previous fiscal note on these provisions that this would have minimal impact on General Fund revenues.

The Department of Motor Vehicles estimated in its previous fiscal note response a need for \$5,000 Cash Funds annually for the purchase of expanded fuel data necessary to identify plug-in hybrid vehicles.

The Department of Transportation estimated in its previous fiscal note response revenue increases to the following funds and local governments as a result of the increase to the registration fee:

	Est. revenue increase to Highway Trust Fund	Portion Allocated to NDOT	Portion Allocated to Cities/Counties
FY2024-25	\$594,156	\$316,863	\$277,293
FY2025-26	\$2,067,600	\$1,102,651	\$964,949
FY2026-27	\$2,998,050	\$1,598,860	\$1,399,190
FY2027-28	\$4,378,235	\$2,334,913	\$2,043,322

Incorporates Provisions of LB 1217 with Modifications

This part of the bill would create a property tax exemption connected to skilled nursing facilities, nursing facilities, and assisted-living facilities.

This part of the bill would also create a property tax exemption for buildings that are owned by a charitable organization, is made available to students in attendance at an educational institution, and is recognized by such educational institution as approved student housing, except that the exemption would only apply to the commons area of such building, including any common rooms and cooking and eating facilities.

This part of the bill would add regarding a statement filed by the owner of a rent-restricted housing project annually to include in the case of an initial statement filed for any applicable project, the estimated income and expenses for the first year of operation taken from the application for an allocation of tax credits or private activity bonds. This part of the bill would add that each county assessor's income approach calculation regarding rent-restricted housing for valuation could have up to a three-year average of calculations. This part of the bill would add that if the income and expense data required to be filed in the discussed statement would not be filed in a timely manner, the county assessor could use any method for determining actual value for such rent-restricted housing project that is consistent with professionally accepted mass appraisal methods so long as such method values the property as a rent-restricted housing project.

Under this part of the bill, any organization or individual that owns a sales-restricted house could file an application with the county assessor for a valuation. Applications would be made on a form prescribed by the Tax Commissioner. Upon receipt of the application, the county assessor would determine the value of the sales-restricted house at its unrestricted appraised value and the maximum sales price allowed for the sales-restricted house. The county assessor would use the lesser of the two values as the property's assessed value.

Any change in property valuation within a school district could also have an impact on TEEOSA state aid, although a specific amount is unknown.

Incorporates Provisions of LB 1389

This part of the bill would exempt qualified broadband equipment from personal property tax.

A change in the taxable base for schools due to the exemption of property could have an impact on state aid under TEEOSA, but any such amount is indeterminate.

Incorporates Provisions of LB 1397

This part of the bill would make changes to add that agricultural land and horticultural land would not include land used for commercial purposes that are not agricultural or horticultural purposes, such as land used for a solar farm or wind farm.

A change in the taxable base for schools due to the declassification of property could have an impact on state aid under TEEOSA, but any such amount is indeterminate.

Incorporates Provisions of LB 863

This part of the bill removes the income tax adjustment for individuals to reduce federal adjusted gross income by amounts received as annuities under the Federal Employees Retirement System (FERS) for taxable years beginning on or after January 1, 2024.

This part of the bill is unchanged by the Select File amendments, and in its previous fiscal note response the DOR estimated the following impact to General Fund revenues as a result of this part of the bill:

- FY 24-25: \$12,237,000
- FY 25-26: \$7,621,000
- FY 26-27: \$6,690,000

Incorporates Provisions of LB 1134 with Modifications

This part of the bill would make changes so that a majority of the Tax Equalization and Review Commission (TERC) would constitute a quorum to transact business, and one vacancy would not impair the right of the remaining commissioners to exercise all the powers of the Commission, except that two commissioners would constitute a quorum to hear and determine any appeals or petitions.

This part of the bill would change provisions so that interest would be applied to taxable value of property beginning 30 days after the date of an order of the TERC that was issued or the date the taxes were delinquent, whichever is later.

This part of the bill would also add to provisions that if the final decision of the TERC results in taxes due in excess of the original amount and interest is applied, the interest would not begin to accrue until 30 days after the decision is certified to the county treasurer.

This part of the bill is unchanged by the Select File amendments, and the Nebraska Association of County Officials (NACO) estimated in its previous fiscal note response a negative but minimal fiscal impact to counties from this part of the bill.

Incorporates Provisions of LB 1093 with Modifications

This part of the bill would make changes regarding an employer providing for an individual or family health insurance policy for a first responder employee and the cancellation requirements regarding those policies. The part of the bill is unchanged by the Select File amendments and the Department of Administrative Services (DAS) estimated in its previous fiscal note response that as a result of these changes to health insurance policy, it will require DAS to add surviving spouse/dependent coverage to the state's health insurance plan, which is an expected, indeterminate administrative cost paid by the state's health insurance fund and that the first responder employees who may experience a catastrophic event is unforeseeable.

This part of the bill would also make changes to the First Responder Recruitment and Retention Act. This part of the bill would make changes to definitions and requirements for the applicant, higher education institutions, and the DOR regarding tuition waivers in the Act.

There is estimated to be an indeterminate Cash Fund revenue loss for the State College System and University of Nebraska System as a result of the added eligibility for the tuition waivers under this part of the bill. We assume there will be reductions in tuition revenue at community colleges, too, as a result of the bill.

Incorporates Provisions of LB 1184 with Modifications

This part of the bill would add that it would be the intent of the Legislature to appropriate \$1,000,000 for FY 24-25 from the General Fund to the Department of Environment and Energy (NDEE) to fund the installation of real-time nitrate sensors in monitoring wells statewide to prioritize nitrate management and reduction.

The part of the bill remains unchanged by the Select File amendments and in its previous fiscal note response NDEE estimated General Fund expenditures in FY25 of \$925,000 and \$75,000 in FY26. In addition, \$75,000 each year beyond the initial two fiscal years in General Fund expenditures is estimated for ongoing maintenance and monitoring as long as these sensors are operational.

Incorporates Provisions of LB 1067 with Modifications

This part of the bill makes changes regarding the submission and contents of inheritance tax reports.

This part of the bill is unchanged by the Select File amendments and the Nebraska Association of County Officials estimated in its previous fiscal note response no fiscal costs to counties from this part of the bill.

Incorporates Provisions of LB 893

This part of the bill would make changes to the ImagiNE Nebraska Act to add a property tax exemption for business equipment that is located at a qualified location or locations for the manufacturing of liquid fertilizer or any other chemical applied to agricultural crops, or the manufacturing of any liquid additive for a farm vehicle fuel.

Any change in property valuation in a school district could have an impact on TEEOSA state aid, although a specific amount is unknown.

Adds Provisions to Establish the Gambling Winnings Setoff for Outstanding Debt Act

This part of the bill would establish the Gambling Winnings Setoff for Outstanding Debt Act.

Under this part of the bill, the DOR, in consultation with the Department of Health and Human Services (DHHS), would develop and implement a secure, electronic collection system to carry out the purposes of the Act. The collection system would inform the operator of the total amount owed without detailing the source of any of the amounts owed.

DHHS could submit any certified debt of \$25 or more to the collection system except when the validity of the debt is legitimately in dispute. The DOR could submit to the collection system any amount of outstanding state tax liability owed by a taxpayer except when the validity of the outstanding state tax liability is legitimately in dispute.

If an obligor's applicable winnings are required to be set off pursuant to the Act, the full amount of the debt and outstanding state tax liability would be collected from any applicable winnings due the obligor. The operator would deduct the amount of debt and outstanding state tax liability identified in the collection system from the winnings payment and would remit the net winnings payment, if any, to the winner and the amount deducted to the DOR in a manner prescribed by the DOR. The DOR would first credit any such winnings payment against any debt of such winner certified by DHHS until such debt is satisfied and then against any outstanding state tax liability owed by such winner until such liability is satisfied on a pro rata basis.

DHHS, DOR, and the State Racing and Gaming Commission could adopt and promulgate rules and regulations to carry out the Act.

AM3362

Incorporates Provisions of LB 1305 with Modifications

This amendment would exclude central bank digital currency under the term of money and would define central bank currency.

The amendment would expand the sales and use tax exemption for bullion so that bullion would now also include coins, notes, leaf, foil, and film.

The exemption would make changes so that the value of bullion would depend primarily on its content.

The amendment would add that for taxable years beginning on or after January 1, 2025, federal adjusted gross income or, for corporations and fiduciaries, federal taxable income would be adjusted on the amount of any net capital gain or loss that is derived from the sale or exchange of gold or silver bullion to the extent such gain or loss is included in federal adjusted gross income except that such gain/loss would not be subtracted/added if the gain/loss is derived from the sale of bullion as a taxable distribution from any retirement plan account that holds gold or silver bullion.

We estimate the following impact to General Fund revenues as a result of this amendment:

<i>Fiscal Year</i>	<i>General Fund</i>	<i>Highway Trust Fund</i>	<i>Highway Allocation Fund</i>
2024-25	\$ (600,333)	\$ (6,000)	\$ (1,000)
2025-26	\$ (1,490,000)	\$ (42,000)	\$ (7,000)
2026-27	\$ (1,483,450)	\$ (44,000)	\$ (8,000)
2027-28	\$ (1,488,473)	\$ (45,000)	\$ (8,000)

There is estimated to be a revenue decrease to the Highway Trust Fund and the Highway Allocation Fund, which is distributed to cities and counties.

AM3378/FA434/AM3479

These amendments would make changes to the Sports Arena Facility Financing Assistance Act.

The amendments would add to the definition of eligible sports arena facility so that it would include any large public stadium in which initial occupancy occurs on or after March 1, 2025, including dressing and locker facilities, concession areas, parking facilities, nearby parking facilities for the use of the stadium, and onsite administrative offices connected with operating the stadium.

New state sales tax revenue for a large public stadium would be 100% of the state sales tax revenue that is collected by a nearby retailer that commenced collecting state sales tax during the period of time beginning on the date the project commenced and ending 48 months after the project completion date of the eligible sports area facility and is sourced under sections 77-2703.01 to 77-2703.04 to the program area.

Program area for a large public stadium would be the area that is located within 600 yards of an eligible sports area facility, measured from any point of the exterior perimeter of the facility but not from any parking facility or other structure, except that if 25% or more of such area is covered property or unbuildable property, then the program area would be adjusted so that:

- It avoids as much of the covered property and unbuildable property as is practical; and
- It contains contiguous property with the same total amount of square footage that the program area would have contained had no adjustment been necessary.

For any application for state assistance for a large public stadium approved on or after the operative date, up to 100% of the final costs of the project could be funded by state assistance received pursuant to section 13-3108.

For a large public stadium:

- The total amount of state assistance approved for such facility could not exceed \$25 million;
- The amount of state assistance approved for such facility for any year could not exceed \$1,250,000; and
- No state assistance for any large public stadium would be paid until after July 1, 2027.

If state assistance would be used to provide funding for a large public stadium, such state assistance to the political subdivision would no longer be available after 20 years of funding or when state assistance reaches \$25 million, whichever comes first.

We estimate an indeterminant impact to General Funds and Cash Funds depending on future projects as a result of these amendments with reductions to state sales tax revenue. State assistance for any large public stadium under the amendments would start after July 1, 2027 so the fiscal impact would be in FY28.

As a result of the bill, in its previous fiscal note response on this bill, the DOR estimated a need for a one-time programming charge of \$350,778 to be paid to the Office of the Chief Information Officer (OCIO) for programming and web development with maintenance costs in subsequent years of \$104,738. The DOR also estimated a need for 1.0 FTE Revenue Agent Senior, 1.0 FTE Information Technology Application Developer Senior in the first two years increasing to 2.0 FTE in subsequent years, and 0.5 FTE Revenue Tax Specialist. There is no basis to disagree with these IT and personnel estimates except that in FY26-27 the total costs for these would be \$425,238. Also, the DOR does not assume any salary or benefits increases for FY25-26 and FY26-27 for the additional personnel needed pursuant to this bill's provisions. While the actual salary and health insurance increases for FY25-26 and thereafter are not yet determined, it is important to note that any additional personnel in FY24-25 will have ongoing rising costs associated with salary and health insurance increases, which are normally addressed in the biennial budget process for all bargaining and non-bargaining employees. After Select File amendments, we estimate an additional \$126,144 to be paid to the OCIO in FY25 for costs connected to the provisions of LB 1305 added to this bill.

In its previous fiscal note response, NACO estimated that the provisions connected to LB 1397 would increase valuations of the applicable property so there would be room to reduce levies in the 40 counties with wind or solar facilities. There are also property tax exemptions provided for in this bill and NACO noted that these will result in an increased levy rate, which means a shift to those property owners not exempt from property taxes, a decrease in taxes collected, an inability to fulfill State and Federal unfunded mandates imposed upon counties, a decrease in the ability of the counties to fund programs and services, and/or a combination of the listed scenarios.