

Updated for the 2024 Legislative Session

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

<b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES</b> (See narrative for political subdivision estimates)				
	<b>FY 2024-25</b>		<b>FY 2025-26</b>	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$133,344		\$25,132	(\$10,000,000)
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
<b>TOTAL FUNDS</b>	<b>\$133,344</b>		<b>\$25,132</b>	<b>(\$10,000,000)</b>

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

LB 606 would establish the Nebraska Pregnancy Help Act (Act). Under the Act, taxpayers would be eligible for a nonrefundable income tax credit for contributions made to a pregnancy help organization that is approved by the Department of Revenue (DOR) as an eligible charitable organization under the Act. The DOR would be required to compile and make available to the public a list of the eligible charitable organizations.

The amount of the credit would be equal to the lesser of the total amount of such contributions made during the tax year or 50% of the income tax liability of the taxpayer for the tax year. The taxpayer would only be able to claim a credit for the portion of the contribution that was not claimed as a charitable contribution under the Internal Revenue Code of 1986, as amended. Taxpayers who are married but file separate returns for a tax year in which they could have filed a joint return may each claim only one half of the tax credit that would otherwise have been allowed for a joint return. Any amount of the credit that would be unused could be carried forward and applied against the taxpayer's income tax liability for the next five years immediately following the tax year in which the credit is first allowed and cannot be carried back.

Under LB 606 these tax credits could begin calendar year 2024 and would place the annual limit for the total amount of these tax credits at \$10 million with no more than 50% of the credits allowed for any calendar year to be for contributions to a single eligible charitable organization.

The DOR in its updated response on LB 606 for the 2024 Legislative Session assumes that the tax credits would begin in calendar year 2025 and as a result estimates the following impact to General Fund revenues from this bill:

- FY 24-25: \$ -
- FY 25-26: (\$10,000,000)
- FY 26-27: (\$10,000,000)
- FY 27-28: (\$10,000,000)

The DOR also estimates a one-time programming charge to be paid to the Office of the Chief Information Officer (OCIO) in the amount of \$103,212 and a need for 0.5 FTE Revenue Operations Clerk II to review applications and track distributions as a result of this bill.

There is no basis to disagree with these estimates. However, the Agency does not assume any salary or benefits increases for FY25-26 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.

<b>ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY &amp; POLT. SUB. RESPONSE</b>		
LB: 606	AM:	AGENCY/POLT. SUB: Department of Revenue
REVIEWED BY: Neil Sullivan	DATE: 12/20/2023	PHONE: (402) 471-4179
COMMENTS: The Department of Revenue assessment of fiscal impact from LB 606 appears reasonable.		



Taxpayers that make one or more cash contributions to ECOs during a tax year will be eligible for the credit, including an individual; an estate or trust; a corporate taxpayer as defined in section 77-2734.04; or a partnership, LLC or S-Corp which is carrying on any trade or business for which deductions would be allowed under IRC § 162 or is carrying on any rental activity.

- Taxpayers who are married but file separate returns but could have filed a joint return may each claim only half of the tax credit otherwise available on a joint return.
- For a taxpayer that is a partnership, LLC or S-Corp, the credit must be attributed to each partner, member, or shareholder in the same proportion used to report the partnership, LLC, S-Corp income or loss for income tax purposes.
- Any credit not used by the estate or trust may be attributed to the beneficiary in the same proportion used to report income of the beneficiary from the estate or trust.

Any unused credit may be carried forward and applied against the taxpayer’s income tax liability for the next five years immediately following the tax year in which the credit is first allowed. The credit cannot be carried back.

There is a \$10 million annual limit on the total amount of tax credits for each calendar year, beginning 2024. Once credits have reached the annual limit, no additional credits will be allowed for the calendar year. Credits must be prorated among the notifications received on the day the annual limit is exceeded. No more than 50% of the credits allowed for any calendar year can be for contributions to a single ECO.

DOR estimates the following reduction in General Fund revenue for LB 606.

FY 2024-25	\$	-
FY 2025-26	\$	10,000,000
FY 2026-27	\$	10,000,000
FY 2027-28	\$	10,000,000

LB 606 will require a one-time programming charge of \$103,212 paid to the OCIO for adding a line to 1120N, 1041N and NebFile, changes to the Business MeF. LB 606 will also require the hiring of 0.5 FTE Revenue Operations Clerk II to review applications and track distributions.

LB 606 becomes operative for tax years beginning on or after January 1, 2025.