

FISCAL NOTE
 LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2018-19		FY 2019-20	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	See Below	See Below	See Below	See Below
CASH FUNDS	See Below	See Below	See Below	See Below
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	See Below	See Below	See Below	See Below

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

LB 910 creates the Property Tax Circuit Breaker Act, the purpose of which is to provide a refundable income tax credit.

A qualifying residential or agricultural taxpayer, as defined by the bill, may apply to the Department of Revenue for a refundable income tax credit based on the amount of property taxes paid and the income level of the applicant taxpayer.

The Department of Revenue may certify up to \$105,000,000 in tax credits for qualifying agricultural taxpayers each taxable year. If the total amount of tax credits requested by all applicants exceeds the total amount available the Department is to certify tax credits on a proportionate basis so that the limitation is not exceeded.

For qualifying residential taxpayers the Department of Revenue may certify up to \$119,000,000 of tax credits for each taxable year. If the total amount of tax credits requested by all applicants exceeds the total amount available the Department is to certify tax credits on a proportionate basis so that the limitation is not exceeded. Qualifying residential taxpayers include both homeowners and renters.

The credit is to be available for tax years beginning January 1, 2018.

The bill also amends Nebraska Revised Statutes Section 77-4212 to insert language that states that for tax year 2018 and thereafter, it is the intent of the Legislature that no amount of funding be provided for the Property Tax Credit Act.

Terminating the Property Tax Credit Act, will result in offsetting decreases in Cash Fund expenditures and Cash Fund revenues. We should also note that the Property Tax Credit Cash Fund receives its revenue via a transfer from the General Fund. The net effect of terminating the Property Tax Credit Act will be an increase in the General Fund, as follows:

	<u>Property Tax Credit Cash Fund Revenue:</u>	<u>General Fund:</u>
FY2018-19:	(\$ 224,000,000)	\$ 224,000,000

Beginning in 2019, the Property Tax Circuit Breaker Act is estimated to result in the following impacts:

Fiscal Year:	Property Tax Credit Cash Fund Expenditures:	Property Tax Credit Cash Fund Revenue (Transfer from General Fund):	General Fund (Transfer to Property Tax Credit Cash Fund):	Total Amount of Agricultural Property Tax Credit:	Total Amount of Residential Property Tax Credit:	General Fund:	Net:
2018-19:	(\$224,000,000)	(\$224,000,000)	\$224,000,000	\$105,000,000	\$119,000,000	(\$224,000,000)	\$ 0
2019-20:	(\$224,000,000)	(\$224,000,000)	\$224,000,000	\$105,000,000	\$119,000,000	(\$224,000,000)	\$ 0
2020-21:	(\$224,000,000)	(\$224,000,000)	\$224,000,000	\$105,000,000	\$119,000,000	(\$224,000,000)	\$ 0

The Department of Revenue indicates they will require a one-time programming charge of \$184,631 paid to the Office of the CIO for development costs. They will require 2.0 FTE IT Applications Developer/Senior, 3.0 FTE Revenue Tax Specialists, 1.0 FTE IT Business Systems Analyst, and 0.5 FTE IT Database Analyst/Senior for the first year, and thereafter 1.5 FTE IT Applications Developer/Senior, 2.0 FTE Revenue Tax Specialist, and 0.5 FTE IT Business Systems Analyst. The Department will also need on an

ongoing basis, 3.0 FTE Office Clerk III and 2.0 FTE Revenue Operations Clerk II. PSL for FY2018-19 is \$500,300 and for FY2019-20 it is \$368,500. Total cost for the Department for FY2018-19 is \$905,031 and for FY2019-20 it is \$460,100.

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

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 910	AM:	AGENCY/POLT. SUB: NE Assoc. of County Officials
REVIEWED BY: Lyn Heaton	DATE: 2/20/2018	PHONE: (402) 471-4181
COMMENTS: No basis upon which to disagree with NACO's analysis.		

State Agency Estimate

State Agency Name: Department of Revenue

Date Due LFA:

Approved by: Tony Fulton

Date Prepared:

Phone: 471-5896

	FY 2018-2019		FY 2019-2020		FY 2020-2021	
	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>
General Funds	\$905,031	\$0	\$490,100	\$0	\$497,600	\$0
Cash Funds	(\$224,000,000)	(\$224,000,000)	(\$224,000,000)	(\$224,000,000)	(\$224,000,000)	(\$224,000,000)
Federal Funds						
Other Funds						
Total Funds	(\$223,094,969)	(\$224,000,000)	(\$223,509,900)	(\$224,000,000)	(\$223,502,400)	(\$224,000,000)

LB910 is the Property Tax Circuit Breaker Act. This bill will provide property tax relief through a refundable income tax credit for taxpayers whose income is below the threshold determined by this bill. This bill will limit the credit to qualifying agricultural taxpayers (individuals owning agricultural land in this state which is part of a farming operation with a federal AGI of less than \$350,000) and qualifying residential taxpayers (individuals owning or renting their principal residence in this state with a federal AGI of less than \$175,000).

Qualifying agricultural taxpayers may apply for a credit between January 1 and April 15 of each year (except for 2018, which application date will be determined by the Department of Revenue (Department)). If the Department approves the application, the taxpayer will be granted a credit equal to the property taxes paid less 7% of the taxpayer's federal AGI. However, only \$105 million is available for qualifying agricultural taxpayers, so if the total credits certified statewide exceed that amount, the credits will be reduced by a proportionate amount. The taxpayer will claim the credit by filing a form developed by the Tax Commissioner with the next income tax return. Only one tax credit may be claimed per parcel.

Qualifying residential taxpayers may apply for a credit between January 1 and April 15 of each year (except for 2018, which application date will be determined by the Department of Revenue (Department)). If the Department approves the application, a taxpayer who owns his or her property will be granted a credit equal to the property taxes in excess of a percentage (which percentage is on a sliding scale) of the taxpayer's federal AGI. The credit will be subject to limits determined by the taxpayer's federal AGI. The amount of property taxes paid is limited to the amount of taxes paid on a residence with a taxable value equal to 200% of the average assessed value of single family residential property in the county.

A qualifying residential taxpayer who rents his or her primary residence will be granted a credit equal to the amount by which 20% of the rent paid exceeds a percentage (which percentage is on a sliding scale) of the taxpayer's AGI. The credit will be subject to limits determined by the taxpayer's federal AGI.

However, only \$119 million is available for qualifying residential taxpayers (both owners and renters), so if the total credits certified statewide exceed that amount, the credits will be reduced by a proportionate amount. The taxpayer will claim the credit by filing a form developed by the Tax Commissioner with the next income tax return. Only one tax credit may be claimed per parcel.

Major Objects of Expenditure

Class Code	Classification Title	18-19	19-20	20-21	18-19	19-20	20-21
		FTE	FTE	FTE	Expenditures	Expenditures	Expenditures
S29112	Revenue Operations Clerk II	2.0	2.0	2.0	\$61,500	\$62,900	\$63,900
A07012	IT Applications Developer/Senior	2.0	1.5	1.5	\$130,400	\$100,000	\$101,500
A29621	Revenue Tax Specialist	3.0	2.0	2.0	\$151,600	\$103,400	\$104,900
R01113	Office Clerk III	3.0	3.0	3.0	\$75,700	\$77,400	\$78,600
A07081	Information Technology Business Systems Analyst	1.0	0.5	0.5	\$48,500	\$24,800	\$25,200
A07052	Information Technology Database Analyst/Senior	0.5	0.0	0.0	\$32,600	\$0	\$0
Benefits.....					\$165,100	\$121,600	\$123,500
Operating Costs.....					\$184,631		
Travel.....							
Capital Outlay.....					\$55,000		
Capital Improvements.....							
Total.....					\$905,031	\$490,100	\$497,600

The Department would be authorized to promulgate rules and regulations.

The Property Tax Credit Act would be defunded beginning in tax year 2018.

By terminating the Property Tax Credit Act, LB 910 will result in offsetting decreases in Cash Fund expenditures and Cash Fund revenues. LB 910 will also increase General Fund revenues due to a decrease in the amount being transferred out from the General Fund to the Property Tax Credit Cash Fund as follows:

	Cash Fund Expenditures	Cash Fund Revenues	General Fund Revenues
FY 2018-2019	(\$ 224,000,000)	(\$ 224,000,000)	\$224,000,000
FY 2019-2020	(\$ 224,000,000)	(\$ 224,000,000)	\$224,000,000
FY 2020-2021	(\$ 224,000,000)	(\$ 224,000,000)	\$224,000,000

Beginning in 2019, the Property Tax Circuit Breaker Act is estimated to result in a reduction in General Fund revenues as follows:

	Agricultural Property Tax Credit	Residential Property Tax Credit	Total
FY 2018-2019	\$ 105,000,000	\$ 119,000,000	\$ 224,000,000
FY 2019-2020	\$ 105,000,000	\$ 119,000,000	\$ 224,000,000
FY 2020-2021	\$ 105,000,000	\$ 119,000,000	\$ 224,000,000

LB 910 would require a one-time programming charge of \$184,631 paid to the OCIO for development costs. The Department would require 2.0 FTE IT Applications Developer/Senior, 3.0 FTE Revenue Tax Specialists, 1.0 FTE IT Business Systems Analyst, and 0.5 FTE IT Database Analyst/Senior for the first year, and thereafter 1.5 FTE IT Applications Developer/Senior, 2.0 FTE Revenue Tax Specialists, 0.5 FTE IT Business Systems Analyst, and no FTE IT Database Analyst/Senior to continue with implementation. The Department will also need on an ongoing basis 3.0 FTE Office Clerk IIIs and 2.0 FTE Revenue Operations Clerk IIs.

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2018

LB⁽¹⁾ 910

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Nebraska Association of County Officials (NACO)

Prepared by: ⁽³⁾ Elaine Menzel Date Prepared: ⁽⁴⁾ 1/16/2018 Phone: ⁽⁵⁾ 402.434.5660

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2018-19</u>		<u>FY 2019-20</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	=====	=====	=====	=====

Explanation of Estimate:

The fiscal impact to counties is unknown; however, it is anticipated that it would be reduced to some extent because the duty of the county treasurers for implementation of the Property Tax Credit Act would be eliminated after tax year 2018 and thereafter under the provisions of LB 910.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2018-19 EXPENDITURES</u>	<u>2019-20 EXPENDITURES</u>
	<u>18-19</u>	<u>19-20</u>		
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____