

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

<b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)</b>				
	<b>FY 2022-23</b>		<b>FY 2023-24</b>	
	<b>EXPENDITURES</b>	<b>REVENUE</b>	<b>EXPENDITURES</b>	<b>REVENUE</b>
GENERAL FUNDS	\$496,888		\$194,700	(\$190,000,000)
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
<b>TOTAL FUNDS</b>	<b>\$496,888</b>		<b>\$194,700</b>	<b>(\$190,000,000)</b>

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

LB 687 adopts the Property Tax Circuit Breaker Act. The act provides a refundable income tax credit for qualifying taxpayers. Qualifying agricultural taxpayer is defined as an agricultural land owner, who must be operating a farm on such land, with a federal adjusted gross income (FAGI) of less than \$350,000. Qualifying residential taxpayer is a residential land owner with an FAGI of less than \$100,000 for those married filing jointly and less than \$50,000 for other filing statuses.

Each agricultural property owners receives a credit equal to the most recent property taxes paid less 7% of the applicant's FAGI.

Residential applicants must have resided at the property for at least six months in the most recent tax year. For such residential property owners, the credit is equal to the amount the total amount of property taxes paid in the most recent tax year exceeds the sum of the amounts calculated in the following table:

<b>% of FAGI</b>	<b>Credit Not to Exceed</b>	<b>Married Filing Jointly</b>	<b>All Other Taxpayers</b>
<b>1%</b>	\$1,200	\$0 - \$14,000	\$0 - \$7,000
<b>2%</b>	\$900	\$14,001 - \$30,000	\$7,001 - \$15,000
<b>3%</b>	\$600	\$30,001 - \$50,000	\$15,001 - \$25,000
<b>4%</b>	\$300	\$50,001 - \$75,000	\$25,001 - \$37,500
<b>5%</b>	\$300	\$75,001 - \$100,000	\$37,501 - \$50,000

LB 687 also provides for an income tax credit for rent dwellers equal to the amount by which 920% of total amount of rent paid exceeds the sum of the amounts calculated in the table.

LB 687 provides for certification of \$74 million of tax credits for 2023 and 2024 for agricultural property owners, and \$126 million for 2023 and 2024 for residential property owners. If the total amount would exceed this limit, DOR is to proportionately reallocate the credits such that the limit is not exceeded.

The Department of Revenue may adopt and promulgate rules and regulations to carry out the Act.

**Revenue:**

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

	Agricultural Property Tax Credit	Residential Property Tax Credit	Total
FY22-23			
FY23-24	(\$70,300,000)	(\$119,700,000)	(\$190,000,000)
FY24-25	(\$74,000,000)	(\$126,000,000)	(\$200,000,000)
FY25-26	(\$3,700,000)	(\$6,300,000)	(\$10,000,000)

**Expenditures:**

The department estimates a one-time programming charge to OCIO of \$223,188 and personnel expenses of \$273,700 for FY22-23, \$194,700 for FY23-24, and \$267,400 for FY24-25.

There is no basis to disagree with these estimates.

**ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE**

LB: 687                      AM:                      AGENCY/POLT. SUB: Department of Revenue

REVIEWED BY: Neil Sullivan                      DATE: 2/22/2022                      PHONE: (402) 471-4179

COMMENTS: No basis to disagree with the Department of Revenue assessment of fiscal impact from LB 687.

**State Agency Estimate**

State Agency Name: Department of Revenue		Date Due LFO:				
Approved by: Tony Fulton		Date Prepared: 2/18/2022				
		Phone: 471-5896				
	<b>FY 2022-2023</b>		<b>FY 2023-2024</b>		<b>FY 2024-2025</b>	
	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>
General Funds	\$ 496,888	\$ 0	\$ 194,700	\$ (190,000,000)	\$ 267,400	\$ (200,000,000)
Cash Funds						
Federal Funds						
Other Funds						
<b>Total Funds</b>	<b>\$ 496,888</b>	<b>\$ 0</b>	<b>\$ 194,700</b>	<b>\$ (190,000,000)</b>	<b>\$ 267,400</b>	<b>\$ (200,000,000)</b>

LB 687 creates the Property Tax Circuit Breaker Act (Act). This Act would provide refundable income tax credits to qualifying agricultural taxpayers (QATP) and qualifying residential taxpayers (QRTP). A QATP and QRTP may apply to the Department of Revenue (DOR) for the refundable credit from January 1 to April 15 of 2023 and 2024 on a form to be developed by DOR. For each of the years 2023 and 2024, this Act imposes a tax credit cap of up to \$74 million for the QATP credit and \$126 million for the QRTP credits. In the case of both credits, if the total amount of credits applied for exceeds the tax credit cap, DOR will certify credits in a proportionate percentage based on the ratio of the amount of credits requested in each application to the total amount of credits requested in all applications so as not to exceed the cap. If DOR finds the QATP or QRTP qualifies, the taxpayer may claim the credit by filing a form, developed by the Tax Commissioner, and a credit certification issued by DOR with the next income tax return after receiving the certification.

A QATP is defined as an individual who owns agricultural land and horticultural land (land), as defined in Neb. Rev. Stat. § 77-1359, that is located in Nebraska and that has been used as part of a farming operation which has federal adjusted gross income (AGI) of less than \$350 thousand in the most recently completed taxable year. DOR’s application form for the QATP refundable credit must include the land address and, for the most recently completed taxable year, the amount of property taxes paid by the QATP on the land and the federal AGI generated by the QATP’s farming operation. If the QATP qualifies for the credit then DOR will grant the tax credit in an amount equal to the amount of property taxes paid on the land during the most recently completed taxable year minus 7% of the federal AGI amount reported by the QATP on the application form. DOR will issue a certification stating the amount of the credit granted no later than December 31 of the year of application. The credit amount cannot be less than zero. Only one QATP credit may be claimed per parcel of land.

A QRTP is defined as an individual who owns or rents his or her principal residence in Nebraska and has federal AGI of less than \$100 thousand for married filing jointly taxpayer or \$50 thousand for any other taxpayer. DOR’s application form for this credit must include the address of the QRTP’s principle residence in Nebraska and, for the most recently completed taxable year, the following: the amount of property taxes paid on the principle residence by the QRTP home owner or the amount of rent paid on the principle residence by the QRTP renter; the federal AGI of the QRTP; for a QRTP how owner, the assessed value of the residence used for determining property taxes paid. If the QRTP resided at the principle residence

**Major Objects of Expenditure**

Class Code	Classification Title	22-23	23-24	24-25	22-23	23-24	24-25
		FTE	FTE	FTE	Expenditures	Expenditures	Expenditures
A07012	Information Technology Applications Developer/Senior	1.0	0.5	0.5	\$65,700	\$33,500	\$34,200
A07081	Information Technology Business Systems Analyst	1.0	0.5	0.5	\$48,900	\$24,900	\$25,400
A07052	Information Technology Data/Database Analyst/Senior	0.5	0.0	0.0	\$32,800	\$0	\$0
A29621	Revenue Tax Specialist	1.0	0.0	0.0	\$50,900	\$0	\$0
S01011	Office Technician	0.0	1.5	3.0	\$0	\$38,200	\$77,900
S29112	Revenue Operations Clerk II	0.0	1.0	2.0	\$0	\$31,600	\$64,500
Benefits.....					\$65,400	\$41,500	\$65,400
Operating Costs.....					\$223,188		
Travel.....							
Capital Outlay.....					\$10,000	\$25,000	\$0
Capital Improvements.....							
<b>Total.....</b>					<b>\$496,888</b>	<b>\$194,700</b>	<b>\$267,400</b>

for at least six months of the most recently completed taxable year, DOR will grant the tax credit and issue a certification no later than December 31 of the year of application.

The QRTP that paid property taxes on the principle residence must be eligible for a credit equal to the amount by which the total amount of property taxes paid exceeds the sum of the calculation below. The amount of property taxes paid on a qualifying QRTP's principle residence must not exceed 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 QRTP county of residence as determined under Neb. Rev. Stat. § 77-3506.02.

Percent of Taxpayer Federal AGI	Federal AGI for Married Filing Jointly	Federal AGI for All Other Taxpayers
1%	\$0 - 14,000	\$0 - 7,000
2%	\$14,001 - 30,000	\$7,001 - 15,000
3%	\$30,001 - 50,000	\$15,001 - 25,000
4%	\$50,001 - 75,000	\$25,001 - 37,500
5%	\$75,001 - 100,000	\$37,501 - 50,000

The credit for qualifying residential taxpayers who rent their primary residence must be equal to the amount by which 20% of the total amount of rent paid exceeds the sum of the amount calculated in table above.

The credit calculations for the home owner and reter cannot exceed the application amount below:

Credit Cap	Federal AGI for Married Filing Jointly	Federal AGI for All Other Taxpayers
\$1,200	\$0 - 14,000	\$0 - 7,000
\$900	\$14,001 - 30,000	\$7,001 - 15,000
\$600	\$30,001 - 50,000	\$15,001 - 25,000
\$300	\$50,001 - 100,000	\$25,001 - 50,000

The DOR estimates that the credit for both agricultural and residential taxpayers will exceed the cap amount. The estimated reduction to the General Fund revenue would be as follow:

	Agricultural Property Tax Credit	Residential Property Tax Credit	Total
FY22-23	\$ -	\$ -	\$ -
FY23-24	\$ 70,300,000	\$ 119,700,000	\$ 190,000,000
FY24-25	\$ 74,000,000	\$ 126,000,000	\$ 200,000,000
FY25-26	\$ 3,700,000	\$ 6,300,000	\$ 10,000,000

LB 687 will require a one-time programming charge of \$223,188 paid to the OCIO for the following: adding a line to the Schedule I, adding the lines to NebFile for Individuals, a pre-posting check to verify credits against property tax data collected from the counties, developing a new schedule, an inquiry/edit process for this data, and web development costs to collect tax receipt data from the counties.

To implement this bill, DOR will need the following in FY 2022-23 only: one IT Applications Developer Senior, one IT Business Systems Analyst, one Revenue Tax Specialist and 0.5 IT Database Analyst Senior. In FY 2023-24 and beyond, DOR will need 0.5 IT Applications Developer Senior and 0.5 IT Business Systems Analyst. Starting in January 2024 DOR will need three Office Technicians and two Revenue Operations Clerk IIs to maintain operations.

The operative date of this bill is January 1, 2023.