

FISCAL NOTE
 LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2023-24		FY 2024-25	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$57,100		\$281,027	(\$200,000,000)
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$57,100		\$281,027	(\$200,000,000)

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

LB 244 makes changes to the Property Tax Incentive Credit Act to add a refundable tax credit for taxpayers for general taxes paid.

Starting in taxable year 2024, there would be allowed a refundable tax credit against the income or franchise tax that would be equal to the credit percentage for the taxable year, set by the Department of Revenue (DOR), multiplied by the amount of general taxes paid by the eligible taxpayer during the taxable year. For taxable year 2024, the total amount of credits would be \$200 million. For taxable year 2025 and after, the credit is to be set so that the total amount of credits would be the maximum amount of credits allowed in the prior year increased by the allowable growth percentage.

The DOR estimates the following reduction to General Fund revenue from this bill:

- FY 23-24: \$ -
- FY 24-25: (\$200,000,000)
- FY 25-26: (\$207,000,000)
- FY 26-27: (\$214,245,000)

The DOR estimates a one-time charge for programming to be paid to the Office of the Chief Information Officer (OCIO) of \$226,227 and 0.5 FTE for a Senior IT Application Developer to implement the requirements of the bill.

There is no basis to disagree with these estimates.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 244	AM:	AGENCY/POLT. SUB: Department of Revenue
REVIEWED BY: Neil Sullivan	DATE: 2/7/2023	PHONE: (402) 471-4179
COMMENTS: The Department of Revenue assessment of fiscal impact from LB 244 appears reasonable.		

State Agency Estimate

State Agency Name: Department of Revenue Date Due LFO:
 Approved by: Glen White Date Prepared: 02/06/2023 Phone: 471-5896

	FY 2023-2024		FY 2024-2025		FY 2025-2026	
	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>
General Funds	\$57,100	\$ 0	\$281,027	\$ (200,000,000)	\$56,100	\$ (207,000,000)
Cash Funds						
Federal Funds						
Other Funds						
Total Funds	\$57,100	\$ 0	\$281,027	\$ (200,000,000)	\$56,100	\$ (207,000,000)

LB 244 modifies the Nebraska Property Tax Incentive Act by adding a refundable credit for general taxes paid. General taxes are property taxes levied on real property in this state by any political subdivision other than a community college area or a school district, or multiple-district school system, excluding any property taxes levied for bonded indebtedness and any property tax levies approved by the voters pursuant to section 77-3444.

For taxable years beginning on or after January 1, 2024, the credit is equal to the general taxes paid by the eligible taxpayer multiplied by the credit percentage. The credit percentage is computed by the Nebraska Department of Revenue (DOR) each year. The credit percentage for the 2024 calendar year must be set so that the total credits are \$200 million. The credit percentage for the 2025 calendar year and each calendar year thereafter is the maximum amount of credits in the prior year increase by the allowable growth percentage.

Eligible taxpayers may use the credit against Nebraska income taxes, or the franchise tax imposed by sections 77-3801 to 77-3807. This credit may be claimed by an S corporation, a partnership, a limited liability company, a trust, or an estate.

Eligible taxpayers filing a fiscal year or short year return may claim the credit in the first taxable year following the calendar year for which the credit percentage was determined. The credit may be taken for a general taxes paid by the taxpayer during the immediately preceding calendar year.

LB 244 will have the following impact to the General Funds revenues:

- FY 2023-24 \$ -
- FY 2024-25 \$ (200,000,000)
- FY 2025-26 \$ (207,000,000)
- FY 2026-27 \$ (214,245,000)

LB 244 would require a one-time programming charge of \$226,227 paid to the OCIO for development cost for change to the individual income tax, the corporation income, the fiduciary income tax, the parcel lookup tool and

Major Objects of Expenditure

<u>Class Code</u>	<u>Classification Title</u>	<u>23-24 FTE</u>	<u>24-25 FTE</u>	<u>25-26 FTE</u>	<u>23-24 Expenditures</u>	<u>24-25 Expenditures</u>	<u>25-26 Expenditures</u>
A07012	Information Technology Applications Developer/Senior	0.5	0.5	0.5	\$39,200	\$41,200	\$42,200
Benefits.....					\$12,900	\$13,600	\$13,900
Operating Costs.....						\$226,227	
Travel.....							
Capital Outlay.....					\$5,000		
Capital Improvements.....							
Total.....					\$57,100	\$281,027	\$56,100

various other forms to implement the credit. DOR will also need 0.5 FTE for a Senior IT Application Developer to analyze data file from counties, test the lookup tool, and work with the mainframe, etc. to implement the credit.