

PREPARED BY: John Wiemer  
 DATE PREPARED: January 29, 2024  
 PHONE: 402-471-0051

**LB 1113**

Revision: 00

**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				
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS				

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

LB 1113 would make changes to the ImagiNE Nebraska Act by adding to the property tax exemption of business equipment that is located at a qualified location or locations and that is involved directly in the manufacture or processing of agricultural products listed under section 77-6831(8)(c)(ii) to include business equipment used primarily for the capture and compression of carbon.

The Department of Revenue (DOR) estimates no impact to General Fund revenues and minimal costs to it from this bill.

The Department of Economic Development also estimates minimal fiscal impact to it as a result of this bill.

There is no basis to disagree with these estimates.

The Nebraska Association of County Officials notes that this bill could result in a loss to property tax revenues, or levy increases, due to property tax exemptions connected to carbon.

A change in the taxable base for schools due to an exemption could have an impact on state aid under TEEOSA. However, the exact amount cannot be determined.

<b>ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY &amp; POLT. SUB. RESPONSE</b>			
LB: 1113	AM:	AGENCY/POLT. SUB: Department of Revenue	
REVIEWED BY: Neil Sullivan	DATE: 1/29/2024	PHONE: (402) 471-4179	
COMMENTS: The Department of Revenue assessment of no fiscal impact from LB 1113 appears reasonable.			

<b>ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY &amp; POLT. SUB. RESPONSE</b>			
LB: 1113	AM:	AGENCY/POLT. SUB: Department of Economic Development	
REVIEWED BY: Neil Sullivan	DATE: 1/29/2024	PHONE: (402) 471-4179	
COMMENTS: The Department of Economic Development assessment of minimal fiscal impact from LB 1113 appears reasonable.			

Please complete ALL (5) blanks in the first three lines.

**2024**

**LB<sup>(1)</sup> 1113**

**FISCAL NOTE**

State Agency OR Political Subdivision Name: <sup>(2)</sup> Nebraska Department of Economic Development

Prepared by: <sup>(3)</sup> Dave Dearmont Date Prepared: <sup>(4)</sup> 1/25/2024 Phone: <sup>(5)</sup> 402-471-3777

**ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION**

	<u>FY 2024-25</u>		<u>FY 2025-26</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:**

LB1113 would Section 77-6831 to provide a property tax exemption for “business equipment used primarily for the capture and compression of carbon at locations qualifying for the ImagiNE act under the Quality Jobs and Investment, and Modernization levels.

LB1113 would have little impact on DED operations. The Department estimates that the provisions of LB1113 can be implemented with current resources.

**BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE**

**Personal Services:**

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2024-25</u>	<u>2025-26</u>
	<u>24-25</u>	<u>25-26</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____

Please complete ALL (5) blanks in the first three lines.

2024

LB<sup>(1)</sup> 1113

FISCAL NOTE

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

Prepared by: <sup>(3)</sup> Elaine Menzel Date Prepared: <sup>(4)</sup> 1/29/2024 Phone: <sup>(5)</sup> 402.434.5660

**ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION**

	<u>FY 2024-25</u>		<u>FY 2025-26</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:**

Within the ImagiNE Act, LB1113 would modify eligible property receiving a property tax exemption to include:

business equipment used primarily for the capture and compression of carbon.

At this time, only one potential company exploring carbon sequestration in Nebraska has expressed plans for a carbon sequestration project that would create 32 capture facilities across five states connected by 2,000 miles of pipeline. The estimate to complete the project is \$5.5 billion, according to the company. Nebraska's 3 proposed plants are approximately 9% of the total planned plants, and Nebraska's 164 miles are approximately 9% of the total pipeline mileage, so we can reasonably estimate that projected cost to build Nebraska's carbon sequestration infrastructure will be approximately 8.5% of the total, or \$467,500,000. The total figure includes labor, materials, and other costs for constructing the pipeline and plants.

According to Construction Labor Market Analyzer (<https://www.ciranalytics.com/clma>), labor costs might be as much as 40%, and some industry experts list the figure at 60%. If we estimate that labor alone could cost half of the project, the remaining value of this carbon sequestration project in Nebraska would be \$233,750,000. It is unknown what percent could be claimed as personal property tax for carbon sequestration, but since this project and its planned infrastructure is entirely devoted to carbon sequestration, the figure might be close the figure of \$233,750,000, though the exact figure is unknown. The personal property tax exemptions for other carbon sequestration companies are also unknown.

Further, what is unknown is what percent of the total would be comprised of 'business personal property use primarily for the capture and compression of carbon.' Typically, pipeline value is comprised of 30% real property and 70% personal. If the pipeline were to claim all of their personal property as being used primarily for the capture and compression of carbon, roughly \$163,625,000 of value for just this one company would be removed from the tax rolls.

An increase in property tax exemptions, such as created by LB 1113, would possibly result in a shifting of levy increases to other 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.

**BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE**

**Personal Services:**

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2024-25</u>	<u>2025-26</u>
	<u>24-25</u>	<u>25-26</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>

<b>Benefits</b> .....				
<b>Operating</b> .....				
<b>Travel</b> .....				
<b>Capital outlay</b> .....				
<b>Aid</b> .....				
<b>Capital improvements</b> .....				
<b>TOTAL</b> .....				

**State Agency Estimate**

State Agency Name: Department of Revenue		Date Due LFO:				
Approved by: James R. Kamm		Date Prepared: 01/26/2024				
		Phone: 471-5896				
	<b><u>FY 2024-2025</u></b>		<b><u>FY 2025-2026</u></b>		<b><u>FY 2026-2027</u></b>	
	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>
		\$ 0		\$ 0		\$ 0
		\$ 0		\$ 0		\$ 0

LB 1113 adds a property tax exemption to Imagine in Neb. Rev. Stat. § 77-6831(8)(c)(ii) for business equipment at a qualified location used primarily for the capture and compression of carbon.

It is estimated that this bill will have no impact on General Fund revenues.

It is estimated that this bill will have minimal costs to the Department of Revenue.

**Major Objects of Expenditure**

<u>Class Code</u>	<u>Classification Title</u>	<u>24-25</u>	<u>25-26</u>	<u>26-27</u>	<u>24-25</u>	<u>25-26</u>	<u>26-27</u>
		<u>FTE</u>	<u>FTE</u>	<u>FTE</u>	<u>Expenditures</u>	<u>Expenditures</u>	<u>Expenditures</u>
	Benefits.....						
	Operating Costs.....						
	Travel.....						
	Capital Outlay.....						
	Capital Improvements.....						
	<b>Total.....</b>						