

**FISCAL NOTE**  
 LEGISLATIVE FISCAL ANALYST ESTIMATE

<b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *</b>				
	<b>FY 2009-10</b>		<b>FY 2010-11</b>	
	<b>EXPENDITURES</b>	<b>REVENUE</b>	<b>EXPENDITURES</b>	<b>REVENUE</b>
GENERAL FUNDS	\$213,544	(\$2,500,000)	\$165,044	(\$5,000,000)
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
<b>TOTAL FUNDS</b>	<b>\$213,544</b>	<b>(\$2,500,000)</b>	<b>\$165,044</b>	<b>(\$5,000,000)</b>

\*Does not include any impact on political subdivisions. See narrative for political subdivision estimates.

LB 520 would create a refundable credit against Nebraska income tax for all or part of the value of a perpetual conservation easement upon real property donated by the taxpayer to the state, a political subdivision, or a qualified charitable organization.

Applications for credit would be submitted to the Department of Agriculture no later than August 1 of the tax year for which the initial tax credit is sought. The taxpayer would need to include with the application an appraisal of the property and the amount of tax credit requested.

LB 520 specifies that the conservation easement shall meet requirements for preserving natural areas, agricultural land, open space, wildlife habitat, watersheds, forest land, view sheds, cultural sites, and historic sites.

The Department of Agriculture is required to review all applications and shall establish a committee to establish criteria to evaluate and prioritize applications. Membership on the committee is specified in LB 520. Criteria to be used by the committee to evaluate and rank applications shall include: preserving natural areas, agricultural land, open space, wildlife habitat, watersheds, forest land, etc. Upon approval of an application the Department shall send a certified copy to the taxpayer with the approved value of the tax credits, including value of the credits allowed in subsequent years. The taxpayer shall file the certified copy of the approved application at the same time the taxpayer files a return for the taxable year in which the income tax credit is claimed.

The credit is to equal 15% of the appraised value of the donated portion of the easement, not to exceed \$50,000 per tax year or a total of \$250,000 over five years. The Department of Agriculture may approve applications for credits totaling up to \$5 million in any one year. If qualified applications total more than \$5 million in a year, including carryover credits from previous years, the Department shall prioritize qualifying applications.

The bill also provides that a taxpayer may only claim the credit on one conservation easement per taxable year and the easement must be filed with the Register of Deeds in each county where the real property subject to the easement is located. In addition, the bill specifies that the credit cannot include the value of any portion of the easement on real property that is located in another state.

LB 520 also requires that a charitable organization that proposes to hold an easement must name a cooperating agency or organization that will automatically accept the easement should the charitable organization cease to exist.

The Department of Agriculture is to issue a report to the Legislature and Governor each year detailing the use of the income tax credit. The Department of Revenue is to assist in the preparation of the report.

The Department of Agriculture estimates the expenses to the Department to administer the conservation easement tax credit program would be \$169,044 in FY2009-10 and \$165,044 in FY2010-11. These expenses would include staff time to develop and administer the application process; review and select approved applications; conduct compliance monitoring; and to prepare the annual report. The Department estimates it would need 3.25 FTE to administer the program; this includes Ag Program Specialists (2.0 FTE), Staff Assistant II (1.0 FTE), and Attorney II (0.25 FTE).

The Department of Revenue estimates the fiscal impact to the General Fund would be a loss of \$2.5 million in FY2009-10, \$5.0 million in FY2010-11, and \$5.0 million in FY2011-12. The Department estimates a one-time computer programming cost of \$44,500 to implement the bill.

There is no basis to disagree with either the Department of Agriculture's or the Department of Revenue's estimate of fiscal impact.