

Revision: 00

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

	ESTIMATE OF FISC	CAL IMPACT - STAT	E AGENCIES *			
	FY 2011	-12	FY 2012-13			
_	EXPENDITURES	DITURES REVENUE EXPENDITURES				
GENERAL FUNDS	145,500	(3,000,000)	83,500	(2,000,000)		
CASH FUNDS						
FEDERAL FUNDS						
OTHER FUNDS						
TOTAL FUNDS	145,500	(3,000,000)	83,500	(2,000,000)		

^{*}Does not include any impact on political subdivisions. See narrative for political subdivision estimates.

LB 389 would establish the Angel Investment Tax Credit Act. The Department of Economic Development (DED) would be directed to administer provisions of the act, including certifying eligible businesses and investors, accepting tax credit applications, issuing tax credit certificates and reviewing annual reports filed by businesses and investors participating in the program. DED would be authorized to develop rules and regulations to carry out the program, and would also be allowed to engage in a contract with a statewide public or private nonprofit entity to serve as the agent for the agency in carrying out the act. DED estimates that the annual cost to carry out the program would total \$83,500 General Funds. One FTE staff position would be added to administer the program.

The Angel Investment Tax Credit Act would provide income tax credits to eligible investors, and would be capped at \$5,000,000 in a calendar year. Credits not allocated during a calendar year could not be carried forward to subsequent years.

LB 389 would lower the cap for the Nebraska Advantage Rural Development Act from \$4,000,000 to \$2,000,000 beginning with applications filed in calendar year 2012. Tax credits deemed unallocated under the Nebraska Advantage Rural Development Act in calendar year 2011 could be used for the purpose of the Angel Investment Tax Credit Act. In addition, beginning with applications filed in calendar year 2012, the cap for the Nebraska Advantage Microenterprise Tax Credit Act would be lowered from \$2,000,000 to \$1,000,000, plus tentative tax credits that were not granted at the end of the preceding year.

The Department of Revenue estimates that income tax credits claimed under the Angel Investment Tax Credit Act will total \$3,000,000 in FY11-12, resulting in a General Fund revenue loss. It is estimated that tax credits claimed under the program will total \$5,000,000 in FY12-13 and in subsequent fiscal years. Because the reduced caps (noted above) will offset the total revenue loss, the estimated revenue loss in FY12-13 and in subsequent years would total \$2,000,000.

The Department of Revenue would incur one-time costs to revise tax forms and to develop a tracking system for the use of tax credits. The agency estimates a one-time cost of \$62,000 General Funds.

DEPARTMENT OF ADMINISTRATIVE SERVICES

REVIEWED BY Gary Bush DATE 1/27/11 PHONE 471-2526
COMMENTS

DEPARTMENT OF ECONOMIC DEVELOPMENT: Agency's estimate of impact appears reasonable.

DEPARTMENT OF REVENUE: Agency's estimates appear to be reasonable.

Date: 1/27/2011

FISCAL NOTE JAN 27 2011 LB389 Department of Economic Development

Prepared By	Young, Joseph
Date Prepared	1/26/2011
Prepared Phone	402-471-3783

Estimate Provided By State Agency or Political Subdivision

	FY 2011-2	2012	FY 2012-2013		
	Expenditures	Revenue	Expenditures	Revenue	
General Funds	83,500		83,500		
Cash Funds					
Federal Funds					
Other Funds					
Total Funds	83,500	•	83,500		

Explanation of Estimate:

LB 389 creates the Angel Investment Tax Credit Program. The bill calls on the Department of Economic Development (DED) to accept new duties. DED will issue a "tax credit certificate" to each qualified investor and certify to the Department of Revenue (Revenue) the amount of the tax credit and tax year in which the investment was made. Because of the duties, DED estimates that one FTE be added to it's staff. This position would have to be of higher than average experiance as the certification process can be subjective and sensitive at times. The total DED requests is \$83,500.

Major Objects of Expenditure

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	Numbe	r of Positions	FY 2011-2012	FY 2012-2013 Expenditures	
Position Title	FY 2011-2012	FY 2012-2013	Expenditures		
Economic Development Manager	1	1	54,275	54,275	
		Benefits	29,225	29,225	
		Operating			
		Travel			
		Capital outlay			
		Aid			
		Capital improvements	67		
		Total	83,500	83,500	

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Fiscal Note

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		State Agency	Estimate			
State Agency Name: Department of	f Revenue				Date Due LFA:	1/26/2011
Approved by: Douglas Ewald		Date Prepared:	12/21/2011		Phone: 471-5700	
	FY 2011	-2012	FY 201	2-2013	FY 20	13-2014
	Expenditures	Revenue	Expenditures	Revenue	<u>Expenditures</u>	Revenue
General Funds	\$62,000	(\$3,000,000)		(\$2,000,000)		(\$2,000,000)
Cash Funds						
Federal Funds						
Other Funds						
Total Funds	\$62,000	(\$3,000,000)		(\$2,000,000)		(\$2,000,000)

LB 389 (Angel Investment Tax Credit Act) provides a refundable income tax credit to qualified investors equal to 40% of a qualified investment in a qualified business. An estate, trust, or resident individual may qualify as a qualified investor. A qualified investor may not receive more than \$300,000 in credits annually (\$350,000 married, filing jointly). A qualified small business is limited to a total cumulative investment of \$1.0 million. The Department of Economic Development will administer the program and notify the Tax Commissioner of all authorized tax credits. The program is capped at \$5.0 million annually. The tax credit is available for tax year 2011.

LB 389 also reduces the credit caps available under the Nebraska Advantage Rural Development Act and Nebraska Advantage Microenterprise Tax Credit Act at \$2.0 million and \$1.0 million, plus any tentative credits from the prior year, respectively, for calendar year 2012 and each year thereafter.

The Department of Economic Development (DED) will administer the program. DED will issue a "tax credit certificate" to each qualified investor and certify to the Department of Revenue (Revenue) the amount of the tax credit and tax year in which the investment was made. The Angel Investment credit is expected to reduce General Fund income tax revenue by \$3.0 million, \$5.0 million, and \$5.0 million in FY2012-13 through FY2014-15, respectively. The net General Fund impact of LB 389, after accounting for the reduced credit amounts for Rural Development and Microenterprise, is expected to be \$3.0 million in FY2011-12, and then \$2.0 million per fiscal year thereafter.

A tax credit is subject to recapture if the qualified investor does not hold the investment for at least three years (there are several exceptions).

Revenue will have one-time costs for computer programming of \$62,000 to add lines to the individual and fiduciary returns to track the use of the credits. Ongoing costs for Revenue are assumed to be minimal.

Major Objects of Expenditure								
Class Code	Classification Title	11-12 <u>FTE</u>	12-13 FTE	13-14 FTE	11-12 Expenditures	12-13 Expenditures	13-14 Expenditures	
Operating Costs					\$62,000			
Capital Outlay				• • • • • • • • • • • • • • • • • • • •				
	• • • • • • • • • • • • • • • • • • • •				\$62,000			