PREPARED BY: DATE PREPARED: PHONE: Doug Gibbs February 07, 2014 402-471-0051

**LB 1038** 

Revision: 01

## FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

Revised to make correction in narrative

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)						
	FY 201	4-15	FY 2015-16			
_	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE		
GENERAL FUNDS	\$456,907	(\$226,870,000)	\$249,610	(\$458,278,000)		
CASH FUNDS						
FEDERAL FUNDS						
OTHER FUNDS						
TOTAL FUNDS	\$456,907	(\$226,870,000)	\$249,610	(\$458,278,000)		

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

LB 1038 amends the Nebraska Revenue Act of 1967 to provide a nonrefundable income tax credit to resident owners of agricultural or horticultural land.

The credit against Nebraska income taxes is for the amount of property taxes paid during the taxable year on agricultural or horticultural land that exceed 5% of the taxpayer's federal adjusted gross income.

LB 1038 is operative for taxable years beginning on or after January 1, 2015.

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

FY2014-15: (\$226,870,000) FY2015-16: (\$458,278,000) FY2016-17: (\$467,444,000) FY2017-18: (\$476,792,000)

The Department of Revenue indicates that the changes proposed by LB 1038 will require a one-time programming charge of \$70,280 paid to the office of the CIO for mainframe and web development changes. In addition, the Department states they will need to hire contractors to develop a program necessary to validate property tax payments. The CIO estimates the cost of hiring contractors would be \$338,740 for an 18-month development period. The Department would also hire a 1.0 FTE Senior Application Developer for ongoing maintenance of the program, 1.0 FTE Revenue Agent to process the large number of returns claiming the credit. The estimated cost for FY14-15 would be \$456,907 and for FY15-16 would be \$249,610. PSL would be \$85,614 and \$87,541 for each fiscal year respectively.

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

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES					
LB: 1038 AM: AGENCY/POLT. SUB: NE Assoc. of County Officials (NACO)					
REVIEWED BY: Lyn Heaton DATE: 2/4/2014 PHONE: 402.471.4181					
COMMENTS: Concur. No direct fiscal impact on counties.					

LB 1038 Fiscal Note 2014

State Agency Estimate						
State Agency Name: Department			Date Due LFA:	1/30/2014		
Approved by: Kim Conroy		Date Prepared:	1/30/2014		Phone: 471-5896	
FY 2014-2015 FY 2015-2016 FY 2016-2017					6-2017	
	Expenditures	Revenue	Expenditures	Revenue	<u>Expenditures</u>	Revenue
General Funds	\$456,907	(\$226,870,000)	\$249,610	(\$458,278,000)	\$122,650	(\$467,444,000)
Cash Funds						
Federal Funds					<u> </u>	_
Other Funds						
Total Funds	\$456,907	(\$226,870,000)	\$249,610	(\$458,278,000)	\$122,650	(\$467,444,000)

LB 1038 provides a nonrefundable income tax credit for the amount of property taxes paid during the taxable year by resident owners of agricultural land and horticultural land that exceeds five percent of the individual's federal adjusted gross income.

The estimated reduction to General Fund revenue would be as follows:

FY 2014-15	\$ 226,870,000
FY 2015-16	\$ 458,278,000
FY 2016-17	\$ 467,444,000
FY 2017-18	\$ 476,792,000

The bill becomes operative January 1, 2015.

LB 1038 will require a one-time programming charge of \$70,280 paid to the OCIO for mainframe and web development changes. The Department would need to hire several contractors during the implementation phase of LB 1038 for purposes of developing a program necessary to validate property tax payments. The OCIO estimates the costs of hiring those contractors would be \$388,740 for an 18-month period. The estimated cost includes 1.0 Senior Business Analyst Contractor and 1.0 Senior Application Developer Contractor (listed as Operating Costs on table below). The Department would also need to hire 1.0 FTE Senior Application Developer for ongoing maintenance associated with the program, and 1.0 FTE Revenue Agent to handle the large volume of returns that will claim the credit.

Major Objects of Expenditure							
		14-15	15-16	16-17	14-15	15-16	16-17
Class Code	Classification Title	FTE	FTE	<b>FTE</b>	<b>Expenditures</b>	<b>Expenditures</b>	<b>Expenditures</b>
A07012	IT Applications Developer Senior	1.0	1.0	1.0	\$52,570	\$53,753	\$54,963
X29222	Revenue Agent	1.0	1.0	1.0	\$33,044	\$33,788	\$34,548
Benefits					\$28,253	\$28,889	\$29,539
Operating Costs					\$333,040	\$133,180	\$3,600
Capital Outlay					\$10,000		
A : .1							
Capital Improvem	nents						
					\$456,907	\$249,610	\$122,650

<b>LB</b> <sup>(1)</sup> 1038			FISCAL NOTE					
State Agency OR Political Subdivision Name	. (2) Nebraska Associ	Nebraska Association of County Officials (NACO)						
Prepared by: (3) Elaine Menzel	Date Prepared: (4)	1/28/2014 Phone: (5	402.434.5660, ext 225					
ESTIMATE PRO	OVIDED BY STATE AGENCY	OR POLITICAL SUBDIVIS	ION					
<u>EXPENDITU</u>	FY 2014-15 RES REVENUE	<u>FY 201</u> <u>EXPENDITURES</u>	5-16 <u>REVENUE</u>					
GENERAL FUNDS								
CASH FUNDS								
FEDERAL FUNDS								
OTHER FUNDS								
TOTAL FUNDS								
Explanation of Estimate:								
LB 1038 would allow an individual to counties would be non-existent or m would not have a fiscal impact on co	inimal. Since counties do no ounties.	ot receive income taxes, the						
Personal Services:	EAKDOWN BY MAJOR OBJE	CTS OF EXPENDITURE						
POSITION TITLE	NUMBER OF POSITIONS  14-15  15-16	2014-15 EXPENDITURES	2015-16 EXPENDITURES					
Benefits								
Operating								
Travel								
Capital outlay								
Aid								
Capital improvements								
TOTAL								