

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2014-15		FY 2015-16	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$448,140	(\$189,390,000)	\$224,880	(\$192,231,000)
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$448,140	(\$189,390,000)	\$224,880	(\$192,231,000)

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

LB 913 amends Nebraska Revised Statutes Section 77-2715.07 regarding state income tax credits.

For the taxable year beginning January 1, 2014 and all tax years thereafter, resident individuals may receive a nonrefundable income tax credit for property tax paid on the individual's primary residence.

The amount of the credit is the amount of property taxes paid, not to exceed \$250 (although not specified we assume this is for all filing statuses other than married filing jointly).

The amount of the credit for a married filing joint return is not to exceed \$500.

The bill also provides income limitations for eligibility for the credit as follows:

Married filing joint return:	\$200,000
All other returns:	\$100,000

The bill requires the Tax Commissioner to develop a form for use by the taxpayer and the Department of Revenue to provide information on proof of ownership, residence, and taxes paid by the taxpayer.

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

FY2014-15:	(\$189,390,000)
FY2015-16:	(\$192,231,000)
FY2016-17:	(\$195,115,000)
FY2017-18:	(\$198,041,000)

The Department of Revenue indicates that the changes proposed by LB 913 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, 1.5 FTE Revenue Operations Clerks II, and 0.5 FTE Revenue Agent to process the large number of returns claiming the credit. The estimated cost for FY14-15 would be \$448,140 and for FY15-16 would be \$224,880. PSL would be \$112,400 and \$115,000 for each fiscal year respectively.

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

State Agency Estimate

State Agency Name: Department of Revenue		Date Due LFA: 1/24/2014				
Approved by: Kim Conroy		Date Prepared: 1/24/2014				
		Phone: 471-5896				
	FY 2014-2015		FY 2015-2016		FY 2016-2017	
	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>
General Funds	\$448,140	(\$189,390,000)	\$224,880	(\$192,231,000)	\$97,300	(\$195,115,000)
Cash Funds						
Federal Funds						
Other Funds						
Total Funds	\$448,140	(\$189,390,000)	\$224,880	(\$192,231,000)	\$97,300	(\$195,115,000)

LB 913 allows a nonrefundable income tax credit for property taxes paid on a primary residence by Nebraska residents. The credit may not exceed \$500 for married, filing jointly or \$250 for all other returns. The credit is disallowed if the taxpayer’s adjusted gross income exceeds \$200,000 for married, filing jointly or \$100,000 for all other returns. The Legislature is required to reexamine the credit every biennium.

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

FY 2014-2015	\$ 189,390,000
FY 2015-2016	\$ 192,231,000
FY 2016-2017	\$ 195,115,000
FY 2017-2018	\$ 198,041,000

LB 913 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 913 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 estimate 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 costs associated with the program, 1.5 FTE Revenue Operations Clerks II, and 0.5 FTE Revenue Agent to process the large volume of returns that will claim the credit.

Major Objects of Expenditure

Class Code	Classification Title	14-15	15-16	16-17	14-15	15-16	16-17
		FTE	FTE	FTE	Expenditures	Expenditures	Expenditures
A07012	IT Applications Developer Senior	1.0	1.0	1.0	\$ 52,600	\$ 53,800	\$ 55,000
R29112	Revenue Operations Clerk II	1.5	1.5	1.5	\$ 43,300	\$ 44,300	\$ 45,300
X29222	Revenue Agent	0.5	0.5	0.5	\$ 16,500	\$ 16,900	\$ 17,300
	Benefits.....				\$37,000	\$37,900	\$38,700
	Operating Costs.....				\$333,040	\$133,180	\$3,600
	Travel.....						
	Capital Outlay.....				\$25,500		
	Aid.....						
	Capital Improvements.....						
	Total.....				\$448,140	\$224,880	\$97,300