

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2021-22		FY 2022-23	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$125,200	(\$100,000)		(\$100,000)
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$125,200	(\$100,000)		(\$100,000)

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

LB 366 seeks to make various changes to the Nebraska Advantage Microenterprise Tax Credit Act. The deadline for applications is extended from December 31, 2022 to December 31, 2024. LB 366 changes the refundable tax credit for a taxpayer's new investment or employment in a microbusiness. Rather than being equal to 20% of the investment amount, it is amended to the following:

- 10% of the taxpayer's new investment in depreciable tangible personal property;
- 20% of any other new investment; and
- 20% of the taxpayer's new employment.

LB 366 increases the total microenterprise tax credits that any one taxpayer can claim in a lifetime to \$20,000.

In addition, LB 366 requires the report by the Tax Commissioner to provide information on project-specific total credits for each approved application that includes the following information:

- The taxpayer's identity;
- The location or locations where credits are being earned;
- The new investment or new employment that was produced by the taxpayer; and
- The total credits used in the previous two years.

The changes made by LB 366 are to apply only to applications made after it becomes operative. LB 366 becomes operative 3 months after adjournment.

Revenue:

The Nebraska Advantage Microenterprise Tax Credit is currently being under-utilized. There is a maximum of \$2 million in credits that can be granted, and only \$1.2 have been used in the most recent report by the Tax Commissioner. The Department of Revenue expects no significant increase in the number of applicants utilizing this tax credit, but expects the changes made by LB 366 to increase the tax credits paid out to current recipients by \$100,000.

It is expected that LB 366 will create a revenue loss of \$1.3 million to the general fund in FY23-24 and FY24-25. This is because LB 366 extends the deadline for applications, so there will be two additional years for qualifying taxpayers to receive this credit.

There is no basis to disagree with these estimates.

Expenditures:

The Department of Revenue estimates that they will need a 0.5 FTE Fiscal Compliance Analyst in FY21-22 to revise the application process. Additionally, DOR estimates the need for 1 FTE IT Application Developer Senior in FY21-22 to create a new Micro Enterprise program. There is no basis to disagree with these estimates.

- a subchapter S corporation and C corporation if the same persons own more than 50% in value of the outstanding stock of each corporation;
- a partnership and a person owning, directly or indirectly, more than 50% of the capital interest, or the profits interest, in such partnership; and
- two partnerships in which the same persons own, directly or indirectly, more than 50% of the capital interests or profits interests.

LB 366 amends Neb. Rev. Stat. § 77-5907 to require more information in the annual report related to applications filed on or after the effective date of LB 366. For these applications, the report must provide information on project-specific total credits used every two years for each approved application and must disclose the :

- identity of the taxpayer;
- location or locations where the taxpayer is earning credits;
- new investment or new employment actually produced by the taxpayer to earn credits; and
- total credits used during the immediately preceding two years, expressed as single, aggregated total.

Nebraska Advantage Microenterprise Tax Credit Act allows Department of Revenue to authorize tax credits in the amount of \$2 million in each calendar year. However, the Microenterprise program is currently undersubscribed. The Department of Revenue shows the General Fund loss from extending this program as \$1.2 million rather than \$2 million.

Considering that the lifetime credit limit amount increases to \$20,000, the investment credit in the depreciable personal property decreases to 10% and the program is extended to December 31, 2024, it is estimated that LB 366 will have the following impact on the General Fund revenues:

FY2021-2022	\$	(100,000)
FY2022-2023	\$	(100,000)
FY2023-2024	\$	(1,300,000)
FY2024-2025	\$	(1,300,000)

LB 366 will require 0.5 FTE Fiscal Compliance Analyst to revise the application and process in the first year. In addition, the Department will require 1 FTE IT Application Developer Senior in the first year to create a new Micro Enterprise program.

The operative date for this bill is 3 months after adjournment.