

Revised to include AM 436

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	(\$200,000)		(\$200,000)
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$125,200	(\$200,000)		(\$200,000)

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. LB 366 was amended by AM 436, which does the following to the original bill:

- The deadline for applications is extended from December 31, 2024 to December 31, 2032; and
- The provision relating to the 10% credit calculation for depreciable tangible personal property is removed.

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 an average of \$1.2 million has been utilized in the last 6 years, according to the most recent tax incentives 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 \$200,000, due to the increase in the lifetime credit limit.

It is expected that LB 366 will create a revenue loss of \$1.4 million to the general fund in each fiscal year after the original sunset date of December 31, 2022, based on current utilization.

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 another subchapter S corporation if the same persons own more than 50% in value of the outstanding stock of each corporation;
- a subchapter S corporation and a 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.

AM 436 retains the LB 366 amendments to Neb. Rev. Stat. § 77-5907 that require more information in the annual report related to applications received on or after the effective date of the bill. 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.

Considering that the lifetime credit limit amount increases to \$20,000, and the program is extended to December 31, 2032, it is estimated that AM 436 will have the following impact on the General Fund revenues:

FY2021-2022	\$ (200,000)
FY2022-2023	\$ (200,000)
FY2023-2024	\$ (1,400,000)
FY2024-2025	\$ (1,400,000)
FY2025-2026	\$ (1,400,000)

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 1.0 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.