PREPARED BY: DATE PREPARED: PHONE: Austin Ligenza January 05, 2022 (402)471-0050

**LB 723** 

Revision: 00

## **FISCAL NOTE**

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT - STATE AGENCIES (See narrative for political subdivision estimates)						
	FY 2022-23		FY 2023-24			
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE		
GENERAL FUNDS						
CASH FUNDS						
FEDERAL FUNDS						
OTHER FUNDS						
TOTAL FUNDS						

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

LB 723 seeks to change the calculation of total credits available under the Property Tax Incentive Act. Under LB 723, subsection 2(e) would be struck, eliminating the original language related to tax year 2024, which set the total amount of credits to \$375,000,000.

Under LB 723, for calendar years beginning on or after 2024, the total amount of credits will equal the prior year plus the allowable growth percentage. The allowable growth percentage is equal to the growth in real property value in Nebraska from the prior year to the current year, and cannot exceed 5% per year.

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

- FY23: \$0
- FY24: \$0
- FY25: (\$246,000,000)
- FY26: (\$254,610,000)
- FY27: (\$263,522,000)

Additionally, the Department of Revenue estimates minimal costs to implement LB 723. There is no basis to disagree with these estimates.

ADMINI	STRATIVE SERVICES	S STATE BUDGET DIVISION: REVIEW	OF AGENCY & POLT. SUB. RESPONSE	
LB: 723 AM: AGENCY/POLT. SUB: Department of Revenue			ent of Revenue	
REVIEWED B	Y: Neil Sullivan	DATE: 1/18/2022	PHONE: (402) 471-4179	
COMMENTS: The Department of Revenue assessment of fiscal impact from LB 723 appears reasonable.				

State Agency Estimate							
State Agency Name: Department	t of Revenue				Date Due LFO:		
Approved by: Tony Fulton Date Pre		Date Prepared:	1/14/2022	Phone: 471-5896			
	FY 2022	FY 2022-2023		3-2024	FY 2024-2025		
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue	
General Funds		\$ 0		\$ 0		(\$246,000,000)	
Cash Funds							
Federal Funds							
Other Funds							
Total Funds		\$ 0		\$ 0		(\$246,000,000)	

LB 723 amends Neb. Rev. Stat. § 77-6703 of the Nebraska Property Tax Incentive Act (Act) to change the credit calculation for the taxable years beginning in 2024. Under the Act, the credit equals the credit percentage, as set by the Department of Revenue (DOR), multiplied by the school district property taxes paid by the taxpayer during the taxable year.

LB 723 eliminates the provision for DOR to set the credit percentage so that the toal amount of credits is \$375,000,000 for taxable years beginning in calendar year 2024. Instead, LB 723 provides that for taxable years beginning in calendar year 2024 and each calendar year thereafter, DOR will set the cedit percentage so that the total amount of credits for the taxable year will be the maximum amount of credits allowed in the prior year increased by the allowable growth percentage. The allowable growth percentage, as defined in Neb. Rev. Stat. § 77-6702(1), is the percentage increase, if any, in the total assessed value of real property in Nebraska from the prior year to the current year, as determined by DOR, not to exceed 5% in any one year.

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

FY 2023-24	\$ -
FY 2024-25	\$ 246,000,000
FY 2025-26	\$ 254,610,000
FY 2026-27	\$ 263,522,000

It is estimated that there will be minimal costs to the DOR to implement this bill.

Major Objects of Expenditure							
Class Code	Classification Title	22-23 <u>FTE</u>	23-24 <u>FTE</u>	24-25 <u>FTE</u>	22-23 Expenditures	23-24 Expenditures	24-25 Expenditures
Travel							
Capital Outlay							