

Revised due to adoption of FA65 and based on new information

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				\$22,000,000
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS				\$22,000,000

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 that the allowable growth percentage applied the out years will equal 3.5%. The Department estimates the following impact to General Fund revenues:

- FY23: \$0
- FY24: \$0
- FY25: (\$205,000,000)
- FY26: (\$212,000,000)
- FY27: (\$220,000,000)

The \$205 million loss is calculated by multiplying \$560.7 million by 1.035, minus \$375 million. 3.5% growth is applied to FY26 and FY27 revenue losses. The Fiscal Office agrees with this assessment.

On General File, FA65 was adopted. FA65 struck the language regarding the method of determining the credit amount for tax year 2022 and set the amount at \$548 million. FA65 also struck the language regarding the method of determining the credit amount for tax year 2023 and set the amount at \$560.7 million. As such, the amount of the credit is no longer tied to revenue growth.

The Nebraska Economic Forecast Advisory Board met February 28, 2022, and based on the forecast set by the board for FY22-23, the estimate for the credit for FY23-24 increased from \$560.7 million to \$582.7 million. With adoption of FA65, the provisions of LB 723 result in a \$22 million revenue gain in FY24. The estimates for FY25 and beyond remain unchanged. As such, we estimate the fiscal impact of the bill as follows:

- FY23: \$0
- FY24: \$22,000,000
- FY25: (\$205,000,000)
- FY26: (\$212,000,000)
- FY27: (\$220,000,000)

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

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE

LB: 723 AM: AGENCY/POLT. SUB: Department of Revenue

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COMMENTS: The Department of Revenue assessment of fiscal impact from LB 723 appears reasonable.

