PREPARED BY: DATE PREPARED: PHONE: Keisha Patent March 09, 2022 402-471-0059

LB 723

Revision: 02

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

Revised due to adoption of FA65 and based on new information

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					
REVIEWED E	3Y: 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						
of Revenue				Date Due LFO:		
Approved by: Tony Fulton		01/14/2022 Phone: 471-5896				
FY 2022	2-2023	FY 2023-2024		FY 2024-2025		
Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue	
	\$ 0		\$ 0		(\$205,000,000)	
	\$ 0		\$ 0		(\$205,000,000)	
		of Revenue Date Prepared: FY 2022-2023 Expenditures Revenue \$ 0	FY 2022-2023 Expenditures Expenditures \$0 Expenditures	Frequence Date Prepared: 01/14/2022 FY 2022-2023 FY 2023-2024 Expenditures Revenue \$0 \$0 \$0 \$0	Of Revenue Date Due LFO: Date Prepared: 01/14/2022 Phone: 471-5896 FY 2022-2023 FY 2023-2024 FY 2023-2024 Expenditures Expenditures \$0	

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	\$ 205,000,000)
FY 2025-26	\$ 212,000,000)
FY 2026-27	\$ 220,000,000)

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 <u>Expenditures</u>
Operating Costs	Benefits. Operating Costs. Travel.						
Capital Outlay Capital Improvement	ts						
Total							