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LB 1023

Revision: 00

FISCAL NOTE
 LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2024-25		FY 2025-26	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$175,899			(\$28,565,000)
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$175,899			(\$28,565,000)

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

LB 1023 provides for a reduction to Federal Adjusted Gross Income (FAGI) or, for corporations and fiduciaries, federal taxable income starting in taxable year 2025 for the cost of expenditures for business assets that are qualified property or qualified improvement property and for research or experimental expenditures.

The Department of Revenue (DOR) could adopt and promulgate rules and regulations to implement this bill.

The DOR estimates the following impact to General Fund revenues from this bill:

- FY 25-26: (\$28,565,000)
- FY 26-27: (\$44,648,000)
- FY 27-28: (\$53,460,000)
- FY 28-29: (\$44,394,000)
- FY 29-30: (\$29,545,000)

The DOR also estimates a one-time charge for programming to be paid to the Office of the Chief Information Officer (OCIO) of \$175,899 as a result of this bill.

There is no basis to disagree with these estimates.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 1023	AM:	AGENCY/POLT. SUB: Department of Revenue
REVIEWED BY: Neil Sullivan	DATE: 1/23/2024	PHONE: (402) 471-4179
COMMENTS: The Department of Revenue assessment of fiscal impact from LB 1023 appears reasonable.		

LB 1023 provides the following definitions. Full expensing means a method for taxpayers to recover their costs for certain expenditures in depreciable business assets by immediately deducting the full cost of such expenditures in the tax year in which the property is placed in service. Internal Revenue Code means the Internal Revenue Code of 1986, as amended. Qualified improvement property has the same meaning as in IRC § 168(e)(6) and will apply to property placed in service after December 31, 2024. Qualified property has the same meaning as in IRC § 168(k) and will apply to property placed in service after December 31, 2024. Research or experimental expenditures has the same meaning as in 26 C.F.R. 1.174-2

The Department of Revenue may adopt and promulgate rules and regulations.

The Department of Revenue (DOR) estimates the following reduction in General Fund revenue:

FY2025-26	\$ 28,565,000
FY2026-27	\$ 44,648,000
FY2027-28	\$ 53,460,000
FY2028-29	\$ 44,394,000
FY2029-30	\$ 29,545,000

LB 1023 will require a one-time programming charge of \$175,899 paid to the OCIO for adding lines to Schedule I, NebFile, 1120N, K1N, and 1041N as well as mainframe development costs.

LB 1023 becomes operative for tax years beginning on or after January 1, 2025.