

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	\$301,610		\$193,030	(\$5,000,000)
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$301,610		\$193,030	(\$5,000,000)

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

LB 1114 would establish the Endow Nebraska Act. Under the Act, a nonrefundable income tax credit would be available to taxpayers who provide an endowment gift to an endow Nebraska qualified community foundation or a community affiliate organization affiliated with an endow Nebraska qualified community foundation for a permanent endowment fund within Nebraska during a taxable year. The amount of the credit would be equal to 15% of a taxpayer’s gift to a permanent endowment held in an endow Nebraska qualified community foundation. Any amount of the credit that is unused could be carried forward and applied against the taxpayer’s income tax liability for the next five years immediately following the taxable year in which the credit is first allowed or until depleted, whichever occurs first. The tax credit could not be carried back and would not be transferrable to another taxpayer. The total amount of tax credits allowed in any taxable year under the Act would not be able to exceed \$5 million. The maximum allowable amount of tax credits in any single taxable year for any single taxpayer would not be able to exceed \$50,000. The operative date for this bill would be January 1, 2025 with no new applications being able to be filed under the Act after December 31, 2030. All applications and all tax credits pending or approved before such date would continue in full force and effect.

The Department of Economic Development (DED) would need to develop and make available an application pertaining to the allocation of tax credits under the Act. Applications would be accepted during the same taxable year the endowment gift was provided by the taxpayer and approved on an ongoing basis. The DED would make public by June 1 and December 1 of each calendar year the total number of applications submitted for tax credits and the total amount of tax credits approved. If the DED receives applications for tax credits in excess of the amount available, the applications shall be prioritized by the date the department received the applications. If the number of applications exceeds the amount of annual tax credits available, the DED would establish a wait list for the next taxable year’s allocation of tax credits and applications would first be funded in the order listed on the wait list.

By January 31 of each calendar year, the DED would need to electronically submit an annual report to the Governor and the Legislature that would include, but not be limited to, all activities under the Act during the previous calendar year.

The DED could adopt and promulgate rules and regulations to carry out the Act.

The DED and Department of Revenue (DOR) estimate that the credit would be fully utilized at \$5 million per fiscal year starting in FY 26. There is no basis to disagree with their estimates.

The DOR estimates minimal costs to it to implement the bill.

The DED estimates a need for an Economic Development Manager to administer the tax credit program and an IT Data/Database Analyst to develop the electronic and reporting systems necessary for the responsibilities under the Act. Among the additional operating expenses for DED are a one-time cost to the Office of the Chief Information Officer and costs for additional office space. There is no basis to disagree with this estimate. However, the DED does not assume any salary or benefits increases for FY25-26 for the additional personnel needed pursuant to this bill’s provisions. While the actual salary and health insurance increases for FY25-26 and thereafter are not yet determined, it is important to note that any additional personnel in FY24-25 will have ongoing rising costs associated with salary and health insurance increases, which are normally addressed in the biennial budget process for all bargaining and non-bargaining employees.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 1114	AM:	AGENCY/POLT. SUB: Department of Revenue
REVIEWED BY: Neil Sullivan	DATE: 2/5/2024	PHONE: (402) 471-4179
COMMENTS: The Department of Revenue assessment of fiscal impact from LB 1114 appears reasonable.		

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 1114	AM:	AGENCY/POLT. SUB: Department of Economic Development
REVIEWED BY: Neil Sullivan	DATE: 2/5/2024	PHONE: (402) 471-4179
COMMENTS: The Department of Economic Development assessment of fiscal impact from LB 1114 appears reasonable.		

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2024

LB⁽¹⁾ 1114

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Nebraska Department of Economic Development

Prepared by: ⁽³⁾ Dave Dearthmont Date Prepared: ⁽⁴⁾ 2/4/24 Phone: ⁽⁵⁾ 402-471-3777

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2024-25</u>		<u>FY 2025-26</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	<u>\$301,610</u>	<u>(\$0)</u>	<u>\$193,030</u>	<u>(\$5,000,000)</u>
CASH FUNDS	<u> </u>	<u> </u>	<u> </u>	<u> </u>
FEDERAL FUNDS	<u> </u>	<u> </u>	<u> </u>	<u> </u>
OTHER FUNDS	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL FUNDS	<u>\$301,610</u>	<u>(\$0)</u>	<u>\$193,030</u>	<u>(\$5,000,000)</u>

Explanation of Estimate:

LB1114 would create the Endow Nebraska Act to provide a nonrefundable income tax credit for gifts to an endow Nebraska community foundation or a community affiliate organization. Between January 1, 2025 and December 31, 2030, a taxpayer may apply to DED for a tax credit equaling 15% of the gift, up to \$50,000 per year. The total amount of tax credits that DED may allow in any calendar year is \$5 million. DED would be required to create an application, report each June 1 and December 1 on the total amount of tax credits remaining for the tax year, produce an annual report on the program each January 31, and track and prioritize applicants whose applications were denied after the \$5 million annual limit is reached. DED would also be required to approve the community foundation or affiliate organizations prior to issuing tax credits, produce Form 1099s for each donor receiving the credit and report this information to the Department of Revenue.

DED expects approximately 200 to 250 applications each year will receive tax endowment Nebraska tax credits, and 250 to 300 applications per year. The Department believes it will need the services of an Economic Development Manager to administer the tax credit program, and an IT Data/Database Analyst to develop an electronic application system, the reporting systems and an electronic system to share the Form 1099 tax credit data with the Department of Revenue. Operating costs include \$4,500 for additional rented office space, and \$100,000 one-time costs for OCIO programming. The first tax credits are expected to be taken in early 2026 with the 2025 returns.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2024-25</u>	<u>2025-26</u>
	<u>24-25</u>	<u>25-26</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
G49550 Econ Dev Manager	<u>0.75</u>	<u>1.00</u>	<u>\$54,480</u>	<u>\$72,640</u>
A07051 IT Data/Database Analyst	<u>0.75</u>	<u>0.50</u>	<u>57,020</u>	<u>38,010</u>
Benefits.....			<u>38,120</u>	<u>38,180</u>
Operating.....(includes \$100,000 OCIO Costs.....)			<u>132,500</u>	<u>32,940</u>
Travel.....			<u>10,890</u>	<u>11,260</u>
Capital outlay.....			<u>8,600</u>	
Aid.....				
Capital improvements.....				
TOTAL.....			<u>\$301,610</u>	<u>\$193,030</u>