PREPARED BY: DATE PREPARED: PHONE: John Wiemer February 3, 2023 402-471-0051

LB 116

Revision: 00

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)						
	FY 202	23-24	FY 2024-25			
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE		
GENERAL FUNDS		(\$10,604,000)		(\$11,134,000)		
CASH FUNDS						
FEDERAL FUNDS						
OTHER FUNDS						
TOTAL FUNDS		(\$10,604,000)		(\$11,134,000)		

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

LB 116 amends the Beginning Farmer Tax Credit Act. Under LB 116, farm is redefined to mean any improved or unimproved tract of land used for or devoted to the commercial production of farm products, and the 10-acre minimum requirement is removed.

Under LB 116, the three individuals currently engaged in farming or livestock production who must be members of the Beginning Farm Board (Board) are no longer required to be from each congressional district.

Additionally, the maximum net worth for a beginning farmer or livestock producer to qualify for the credit is increased from \$200,000 to \$1,000,000 and the bill adds that the farmer or livestock producer is to be of legal age to enter into and be legally responsible for a binding contract or lease as provided under Neb. Rev. Stat. § 43-2101 in order to qualify. For purposes of determining net worth, LB 116 excludes any pension, retirement, or any other deferred benefit accounts. The net worth thresholds would be adjusted annually starting October 1, 2023.

The bill makes changes so that qualified beginning farmers or livestock producers that are allowed a one-time refundable income tax credit up to \$500 for the cost of participation in the financial management program are not limited to just being qualified beginning farmers or livestock producers in the first, second, or third year of a qualifying three-year rental agreement.

The review of the existing three-year rental agreements by the Board would also be changed to be on an annual basis instead of on a semiannual basis.

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

- FY 23-24: (\$10,604,000)
- FY 24-25: (\$11,134,000)
- FY 25-26: (\$11,690,000)

The Department of Revenue estimates minimal costs to implement LB 116.

There is no basis to disagree with these estimates.

Political subdivisions are likely to see a revenue loss in property taxes as a result of this bill. The Beginning Farmer Tax Credit Act provides for an exemption on tangible personal property tax up to \$100,000 each year for a qualified beginning farmer or livestock producer on his or her agricultural and horticultural machinery and equipment. By increasing the net worth requirement for a beginning farmer or livestock producer to \$1,000,000 this should increase the beginning farmers and livestock producers eligible for and utilizing this tax exemption resulting in more property tax exemptions. The fiscal impact would vary by political subdivision.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE				
LB: 116	AM:	AGENCY/POLT. SUB: Depart	tment of Revenue	
REVIEWED E	BY: Neil Sullivan	DATE: 2/3/2023	PHONE: (402) 471-4179	
COMMENTS: The Department of Revenue assessment of fiscal impact from LB 116 appears reasonable.				

LB 0116 Fiscal Note 2023

State Agency Estimate						
State Agency Name: Departmen	t of Revenue				Date Due LFO:	
Approved by: Glen White		Date Prepared:	02/02/2023		Phone: 471-5896	
	FY 2023 Expenditures	3-2024 Revenue	FY 202 Expenditures	4-2025 Revenue	FY 202 Expenditures	25-2026 Revenue
General Funds Cash Funds	Expenditures	(\$10,604,000)	Expenditures	(\$11,134,000)	Experientures	(\$11,690,000)
Federal Funds Other Funds						
Total Funds		(\$10,604,000)		(\$11,134,000)		(\$11,690,000)

LB 116 makes the following amendments to the Beginning Farmer Tax Credit Act (Act). The bill amends the definition of farm to mean any improved or unimproved tract of land used for or devoted to the commercial production of farm products. The three individuals currently engaged in farming or livestock production who must be members of the board are no longer required to be from each congressional district.

The definition of qualified beginning farmer or livestock producer is changed in two ways. Along with the other requirements, the individual must (1) have a net worth of no more than \$1 million dollars (increased from \$200,000) and (2) be of legal age to enter into and be legally responsible for a binding contract or lease as provided under Neb. Rev. Stat. § 43-2101.

The bill updates the net worth thresholds to be adjusted annually beginning October 1, 2023, and each October 1 thereafter, by taking the average Producer Price Index for all commodities, published by the U.S. Department of Labor Statistics, for the most recent 12 available periods divided by the Producer Price Index for 2022 and multiplying the result by the farmer's or livestock producer's net worth threshold. LB 116 will require the board to exclude from the net worth determination of beginning farmer or livestock producer any pension, retirement, or other types of deferred benefit accounts owned by the beginning farmer or livestock producer, including such accounts owned by a spouse or dependent.

LB 116 provides that the one-time refundable income tax credit for the cost of participating in the financial management program as required under the Act is no longer only allowed to beginning farmers or livestock producers who are in the first, second, or third year of a qualifying three-year rental agreement. The bill also changes the board review of three-year rental agreements from a semiannual basis to an annual basis.

LB 116 is operative 3 months after adjournment.

Major Objects of Expenditure							
Class Code	Classification Title	23-24 <u>FTE</u>	24-25 <u>FTE</u>	25-26 <u>FTE</u>	23-24 Expenditures	24-25 Expenditures	25-26 Expenditures
D C.							
Benefits. Operating Costs. \$0							
Travel Capital Outlay							
	S	••••••		••••••••••••••••••••••••••••••••••••••	\$0		

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Using data from the United States Department of Agriculture to determine the number of newly eligible farms resulting from the change in eligibility requirements proposed in LB 116, Department of Revenue (DOR) estimates the total reduction to the General Fund revenues as follows:

FY 2023-24	\$ 10,604,000
FY 2024-25	\$ 11,134,000
FY 2025-26	\$ 11,690,000

It is estimated that there are minimal costs to DOR to implement this bill.