Kenneth Boggs August 05, 2024 402-471-0050

LB 20

Revision: 01 FISCAL NOTE LEGISLATIVE FISCAL ANALYST ESTIMATE

Revised to include agency responses.

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)						
	FY 2024	4-25	FY 2025-26			
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE		
GENERAL FUNDS	\$200,787	(\$134,210,000)	\$125,700	(\$25,236,000)		
CASH FUNDS			(\$113,000,000)	(\$113,000,000)		
FEDERAL FUNDS						
OTHER FUNDS						
TOTAL FUNDS	\$200,787	(\$134,210,000)	(\$112,874,300)	(\$138,236,000)		

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

LB 20 introduces a new refundable tax credit for Nebraska residents who rent their primary residence. The tax credit is applicable to taxable years starting on or after January 1, 2024. Eligibility is determined for any individual who rents a house, apartment, or other residential unit in Nebraska, provided that the rented property serves as the individual's primary residence during the taxable year. The credit calculation will be based on the greater of four percent of the total rent paid during the taxable year or two hundred dollars, with a maximum limit of one thousand dollars.

The bill decreases the amount allocated under the Property Tax Credit Act, as follows:

- 2023: Minimum relief set at \$360 million.
- 2024: Minimum relief set at \$282 million.
- 2025: Minimum relief set at \$317 million.
- 2026: Minimum relief set at \$332 million.
- 2027: Minimum relief set at \$347 million.
- 2028: Minimum relief set at \$362 million

The Department of Revenue states that the impact of LB 20 requires a one-time programming fee of \$65,087, payable to the OCIO, to include an additional line on Form 1040N and update the NebFile online filing system. Additionally, the department will need to employ two full-time Fiscal Compliance Analysts to implement the provisions of the bill.

The agency estimates the fiscal impact as follows:

	General Fund Revenue	General Fund Expenditure
FY 2024-25	(\$134,210,000)	(\$113,000,000)
FY 2025-26	(\$138,236,000)	(\$113,000,000)
FY 2026-27	(\$142,383,000)	(\$113,000,000)

There is no basis to disagree with the Department's estimates of administrative costs or General Fund revenue loss related to the new rental credit. However, aid pursuant to the Property Tax Credit Act is paid from the cash fund, funded by a General Fund transfer to the cash fund. Estimated gain to the General Fund due to the reduction in the transfer to the Property Tax Credit Cash Fund is:

- FY2024-25: \$0
- FY2025-26: \$113 million
- FY2026-27: \$113 million

In FY26 and FY27, there would be a corresponding decrease in cash fund revenue and cash fund expenditures due to the lower amounts pursuant to the Property Tax Credit Act. There is no impact for FY2024-25 as the bill changes the minimum level of relief under the act, and the amount transferred to the cash fund and appropriated for FY2024-25 exceeds that amount.

LB 0020

Fiscal Note 2024

State Agency Estimate State Agency Name: Department of Revenue Date Due LFO: Approved by: James R. Kamm Date Prepared: LEAVE BLANK Phone: 471-5896 FY 2024-2025 FY 2025-2026 FY 2026-2027 Expenditures Revenue Expenditures Revenue Expenditures Revenue General Funds (\$112,799,213) (\$134,210,000) (\$112,874,300) (\$138,236,000) (\$112,874,300) (\$142,383,000)						
State Agency Name: Department of	Revenue				Date Due LFO:	
Approved by: James R. Kamm		Date Prepared:	LEAVE BL	ANK	Phone: 471-5896	
	FY 202	4-2025	FY 202	25-2026	FY 202	6-2027
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue
General Funds	(\$112,799,213)	(\$134,210,000)	(\$112,874,300)	(\$138,236,000)	(\$112,874,300)	(\$142,383,000)
Cash Funds						
Federal Funds						
Other Funds		<u> </u>				
Total Funds	(\$112,799,213)	(\$134,210,000)	(\$112,874,300)	(\$138,236,000)	(\$112,874,300)	(\$142,383,000)

LB 20 establishes a new refundable credit for rent and changes the minimum tax credit available under the Property Tax Credit Act (Act).

For taxable years beginning on or after January 1, 2024, a new refundable tax credit for individuals renting a house, apartment, or other residential unit in Nebraska for use as their primary residence. The credit is 4% of the total of rent paid during the taxable year or \$200 but not to exceed \$1000.

LB 20 also reduced the Property Tax Credit Fund as follows:

- Tax year 2024, the minimum relief credit is reduced from \$395,000,000 to \$282,000,000;
- Tax year 2025, the minimum relief credit is reduced from \$430,000,000 to \$317,000,000;
- Tax year 2026, the minimum relief credit is reduced from \$445,000,000 to \$332,000,000;
- Tax year 2027, the minimum relief credit is reduced from \$460,000,000 to \$347,000,000; and
- Tax year 2028, the minimum relief credit is reduced from \$475,000,000 to \$362,000,000.

Changed "required under" to "provided in" if money is transferred or credited to the Property Tax Credit Cash Fund pursuant to any other state law shall be added when determining the relief granted under the Act.

It is estimated that this bill will have the following impacts on the General Fund Revenue:

	General Fund Revenue	General Fund Expenditure		
FY 2024-25	(\$134,210,000)	(\$113,000,000)		
FY 2025-26	(\$138,236,000)	(\$113,000,000)		
FY 2026-27	(\$142,383,000)	(\$113,000,000)		

Major Objects of Expenditure							
Class Code	Classification Title	24-25 <u>FTE</u>	25-26 <u>FTE</u>	26-27 <u>FTE</u> 2.0	24-25 Expenditures	25-26 <u>Expenditures</u>	26-27 <u>Expenditures</u>
A21211	Fiscal Compliance Analyst	2.0	2.0	2.0	\$94,500	\$94,500	\$94,500
Benefits	Benefits.			\$31,200	\$31,200	\$31,200	
Operating Costs				\$65,087			
Capital Outlay			\$10,000				
Capital Improvem	ents						
Total		\$200,787	\$125,700	\$125,700			

LB 20 will require a one-time programming charge of \$65,087 paid to the OCIO to add a line to Form 1040N as well as to the NebFile online filing system. The department will need to hire two FTE Fiscal Compliance Analyst to implement the bill.