

Revised per AM3420

**FISCAL NOTE**  
**LEGISLATIVE FISCAL ANALYST ESTIMATE**

<b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)</b>				
	<b>FY 2024-25</b>		<b>FY 2025-26</b>	
	<b>EXPENDITURES</b>	<b>REVENUE</b>	<b>EXPENDITURES</b>	<b>REVENUE</b>
GENERAL FUNDS	\$385,883	(\$1,188,000)	\$1,106,097	(\$6,683,000)
CASH FUNDS		\$36,600		\$33,600
FEDERAL FUNDS				
OTHER FUNDS				
<b>TOTAL FUNDS</b>	<b>\$385,883</b>	<b>(\$1,151,400)</b>	<b>\$1,106,097</b>	<b>(\$6,649,400)</b>

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

LB 937 was amended by AM3420 on Select File. AM3420 strikes multiple sections from ER115 and inserts new sections. The details of LB 937, as amended, are discussed below.

*Incorporates Provisions of LB 1022 with Modifications*

This part of the bill would create the Cast and Crew Nebraska Act.

- Declares findings of the Legislature;
- Declares intent;
- Sets definitions under the act;
- Sets qualified expenditures under the act;
- Creates eligibility for qualified productions with qualified expenditures under the Act to receive tax credits under the Act (under AM3420 the credits begin on or after taxable year 2025);
- Sets the tax credit amounts and sets eligibility for increases, defines the amounts of increases under each category;
- Under AM 3420, caps the total tax credits at \$500,000 in FY26 and \$1,000,000 each fiscal year after;
- Caps the maximum allowable tax credit that can be claimed under the Act in any single taxable year for any qualified production activity that is a full-length film, made-for-television movie, television series of at least five episodes, or streaming television series at \$500,000 in FY26 and \$1,000,000 in any fiscal year after;
- Creates an application process for the tax credit program and sets an application fee;
- Sets administration of the Act within the Department of Economic Development (DED), sets tax credit auditing authority with the DED, sets requirements of the audit;
- Allows for tax credits to be transferred;
- Bars production companies that receive tax credits under the Act from receiving grants under the Act;
- Requires the DED to promulgate rules and regulations under the Act;
- Creates a grant program within the DED, sets intent of the grant program, sets eligibility of the grant program, sets levels of awards for the grant program, sets a cap of \$1,325,000 of total grant awards per year;
- Strikes the intent to transfer the unobligated balance of the Nebraska Film Office Fund to the General Fund on 6/30/2025; and
- Creates a tribal communities film and entertainment education grant program under the Nebraska Film Office Fund statute and requires the DED to award at least \$75,000 per year. There is no additional transfer provided in this part of the bill.

*Incorporates Provisions of LB 1084 with Modifications*

This part of the bill would establish the Nebraska Shortline Rail Modernization Act.

Under AM3420, for taxable years beginning on or after January 1, 2025 an eligible taxpayer would be allowed a nonrefundable income tax credit or on any tax imposed by sections 77-907 to 77-918 or 77-3801 to 77-3807 for qualified shortline railroad maintenance expenditures. The credit would be equal to 50% of the qualified shortline railroad maintenance expenditures incurred during the taxable year by the eligible taxpayer. The amount of the credit could not exceed an amount equal to \$1,500 multiplied by the number of miles of railroad track owned or leased in the state by the eligible taxpayer at the end of the taxable year. The total amount of tax credits allowed in any taxable year under the Act would not be able to exceed \$500,000 in FY26 and \$1,000,000 for any fiscal year after.

To receive the tax credits under the Act, an eligible taxpayer would need to submit an application to the DOR after incurring the relevant qualified shortline railroad maintenance expenditures. The application could be submitted no later than May 1 of the calendar year immediately following the calendar year in which the expenditures were incurred. If the DOR determines that an application is complete and the eligible taxpayer qualifies for tax credits under the Act, the DOR would approve the application and issue a tax credit certificate to the eligible taxpayer. The DOR would consider and approve applications for tax credits under the Act in the order in which the applications are received. The taxpayer would claim the credit under the Act by attaching the certification to the taxpayer's tax return.

Any amount of the credit that is unused could be carried forward and applied against the taxpayer's tax liability for the next five taxable years immediately following the taxable year in which the credit was first allowed. The tax credits under the Act could be assigned by the eligible taxpayer to another taxpayer by written agreement.

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

No new application for tax credits could be filed under the Act after December 31, 2033. All applications and all credits pending or approved before such date would continue in full force and effect.

*Incorporates Provisions of LB 606 with Modifications*

This part of the bill would establish the Nebraska Pregnancy Help Act. Under the Act, taxpayers would be eligible for a nonrefundable income tax credit for contributions made to a pregnancy help organization that is approved by the Department of Revenue (DOR) as an eligible charitable organization under the Act. The DOR would be required to compile and make available to the public a list of the eligible charitable organizations.

The amount of the credit would be equal to the lesser of the total amount of such contributions made during the tax year or 50% of the income tax liability of the taxpayer for the tax year. The taxpayer would only be able to claim a credit for the portion of the contribution that was not claimed as a charitable contribution under the Internal Revenue Code of 1986, as amended. Taxpayers who are married but file separate returns for a tax year in which they could have filed a joint return may each claim only one half of the tax credit that would otherwise have been allowed for a joint return. Any amount of the credit that would be unused could be carried forward and applied against the taxpayer's income tax liability for the next five years immediately following the tax year in which the credit is first allowed and cannot be carried back.

Under AM3420, the annual limit for the total amount of these tax credits would be \$500,000 for FY26 and \$1,000,000 each fiscal year after with no more than 50% of the credits allowed for any fiscal year to be for contributions to a single eligible charitable organization.

*Incorporates LB 1025 with Modifications*

This part of the bill would establish the Individuals with Intellectual Developmental Disabilities Support Act. Under this part of the bill, for taxable years beginning on or after January 1, 2025 there would be added four income tax credits.

The first tax credit would be a nonrefundable tax credit and would be for any employer that employs one or more direct support professionals during the taxable year. The credit would be in the amount of \$500 multiplied by the number of direct support professionals who are employed for at least six months during the taxable year and work at least 500 hours for the employer during the taxable year.

The second tax credit would be a refundable tax credit and would be for a direct support professional if employed as a direct support professional for at least 6 months during the taxable year and would work at least 500 hours as a direct support professional. The credit would be in the amount of \$500.

The third tax credit would be a nonrefundable tax credit and would be for any employer that employs an individual receiving services pursuant to a medicaid home and community-based services waiver. The credit would be in the amount of \$1,000 multiplied by the number of employees who are receiving services pursuant to a medicaid home and community-based services waiver, employed by the employer for at least six months during the taxable year, and work at least 200 hours for the employer during the taxable year.

The fourth credit would be a nonrefundable credit and would be for employers who provide any of the following types of services to an individual pursuant to a medicaid home and community-based services waiver:

- Prevocational
- Supported employment-individual
- Small group vocational support
- Supported employment-follow along

The tax credit would be in the amount of \$1,000 multiplied by the number of individuals the employer is providing services to as listed in the four specified services above.

The Act requires an application to be submitted to the Department of Revenue (DOR) for the credit to be approved and a certification to be made by the DOR. The DOR would consider applications in the order they would be received. Under AM3420, the DOR could approve credits under the Act each fiscal year until the total amount of credits approved for the fiscal year reaches \$1,000,000 for FY26, \$1,500,000 for FY27, and \$2,000,000 for any fiscal year after. The tax credits would be claimed by attaching the tax credit certification received from the DOR to the tax return.

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

*Incorporates Provisions of LB 1158*

This part of the bill would establish the Medical Debt Relief Act.

This part of the bill would create the Medical Debt Relief Program to be administered by the State Treasurer. The State Treasurer would enter into a contract with a medical debt relief coordinator to purchase and discharge medical debt owed by eligible residents with money allocated for the program. A medical debt relief coordinator would report to the State Treasurer summary statistics regarding eligible residents whose medical debt has been discharged. A medical debt relief coordinator would continue to fulfill its contractual obligations to the State Treasurer until all money contracted to the medical debt relief coordinator is exhausted, regardless of whether money allocated to the program has been exhausted. On or before October 1, 2025 and each year after for as long as medical debt relief coordinators are fulfilling their contractual obligations under the Act, the State Treasurer would submit an annual report regarding the program.

The Act would create the Medical Debt Relief Fund. The fund would be administered by the State Treasurer and would be used to carry out the Act. The fund would consist of money transferred to the fund by the Legislature and money donated as gifts, bequests, or other contributions from public or private entities.

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

Under this part of the bill, for taxable years beginning on or after January 1, 2024 an individual could reduce his or her federal adjusted gross income by the amount of interest and principal balance of medical debt discharged under the Act, to the extent included in such individual's federal adjusted gross income.

Also, under this part of the bill, for taxable years beginning on or after January 1, 2024 federal adjusted gross income or, for corporations and fiduciaries, federal taxable income would be reduced by the amount of contributions made to the Medical Debt Relief Fund, to the extent not deducted for federal income tax purposes.

This part of the bill does not specify the amount of state funds transferred into the Medical Debt Relief Fund. It is reasonable to assume that such transfer would be from the General Fund, and the amount required could be significant, depending upon the scope of the program. To the extent that any donations are received for credit to the fund, the amount of such donations would be deducted from the taxpayer's income, causing a reduction in General Fund revenue.

Under AM3420, this part of the bill is unchanged.

In its previous fiscal note response on this part of the bill, the State Treasurer's Office estimated that it can likely absorb any personnel and operating costs as a result of the contract detailed in this part of the bill. However, there is estimated by the office to be costs connected to paying a contract but that cost is indeterminant.

In its previous fiscal note response on this part of the bill, the DOR estimated a negative, indeterminant fiscal impact to General Fund revenues from this bill due to being unable to find reliable data sources.

*Incorporates Provisions of LB 1072 with Modifications*

This part of the bill would create the Sustainable Aviation Fuel Tax Credit Act.

Under AM3420, for taxable years beginning on and after January 1, 2027, there would be allowed a nonrefundable tax credit to any producer of sustainable aviation fuel for any sale or use of a qualified mixture. The amount of the credit would be equal to the number of gallons of sustainable aviation fuel in all sold or used qualified mixtures multiplied by the sum of \$0.75 plus the detailed applicable supplementary amount.

A producer of sustainable aviation fuel could only claim the credit in a total of five taxable years.

The DOR could approve these tax credits each fiscal year until the total amount of credits approved for the fiscal year reaches \$500,000.

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

The Act would terminate on January 1, 2035.

*Incorporates Provisions of LB 937 with Modifications*

This part of the bill would adopt the Caregiver Tax Credit Act.

Under AM3420, for all taxable years beginning on or after January 1, 2025 there would be allowed a nonrefundable income tax credit for any family caregiver who incurs eligible expenditures for the care and support of an eligible family member. The amount of the credit would be equal to 50% of the eligible expenditures incurred during the taxable year by a family caregiver for the care and support of an eligible family member. Any amount of the credit unused could not be carried forward. The maximum allowable credit in any single tax year for a family caregiver would be \$2,000 unless the eligible family member is a veteran or has a diagnosis of dementia in which case the maximum allowable credit would be \$3,000. If two or more family caregivers would claim the tax credit for the same eligible family member, the maximum allowable credit would be allocated in equal amounts between each of the family caregivers. The DOR could approve tax credits under this Act each fiscal year until the total amount of credits approved for the fiscal year equals \$1,500,000 for FY26 and FY27 and \$2,500,000 for any fiscal year after.

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

*Incorporates Provisions of LB 1184 with Modifications*

This part of the bill would establish the Reverse Osmosis System Tax Credit Act.

Under AM3420, for taxable years beginning on or after January 1, 2024, a taxpayer would be eligible to receive a one-time refundable income tax credit for the cost of installation of a reverse osmosis system at the primary residence of the taxpayer if test results in the drinking water for such residence are above specified levels.

Only one taxpayer per residence could be a recipient of the credit. The credit would be equal to 50% of the cost incurred by the taxpayer during the taxable year for installation of the reverse osmosis system, up to a maximum of \$1,000.

A taxpayer would apply for the credit by submitting an application to the DOR. If the DOR determines that the taxpayer qualifies for the credit, the DOR would approve the application and certify the amount of the approved credit to the taxpayer. The DOR could approve tax credits each fiscal year until the total amount of credits approved reaches \$500,000 for FY25, FY26, and FY27 and \$1,000,000 for any fiscal year after.

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

*Incorporates Provisions of LB 1047*

This part of the bill would add the definition of biomass feedstock to section 66-482.

This part of the bill would retain the excise tax of 1.25 cents per gallon on ethanol producers. The bill would make changes so that the tax would be on gasoline, natural gasoline, or any other gasoline component, including, but not limited to, any gasoline component produced from biomass feedstock, purchased for use as a denaturant by the producer at an ethanol facility and 2% of agricultural ethyl alcohol sold that is unfit for beverage purposes and does not meet the American Society for Testing and Materials D4806 standards. The tax revenue is remitted to the State Treasurer for credit to the Agricultural Alcohol Fuel Tax Fund.

This part of the bill would make changes to section 66-489(4) so that in addition to natural gasoline purchased for use as a denaturant by a producer at an ethanol facility being exempt from the specified taxes in the bill, gasoline, or any other gasoline component, including but not limited to, any gasoline component produced from biomass feedstock purchased for use as a denaturant by a producer at an ethanol facility would also have that exemption.

This part of the bill would become operative on August 1, 2024.

Under AM3420, this part of the bill is unchanged.

After consideration of the estimates to the increase in the Agricultural Alcohol Fuel Tax Fund as a result of this part of the bill by the DOR and the Nebraska Ethanol Board from their previous fiscal note response, we have estimated the increase to this Cash Fund by averaging the estimates of the two agencies. The increase to this Cash Fund in FY25 is estimated to be \$60,600 and \$81,600 in FY26.

*Incorporates Provisions of LB 901 with Modifications*

AM3240 would amend section 77-2704.12 to provide additional sales and use tax exemptions for nonprofit organizations. Subdivision (1)(j) would be added to provide a sales tax exemption to any nonprofit organization for purchases of property that will be transferred to an organization listed in subdivisions (a) through (i) of section 77-2704.12(1) until the property is transferred or the contract is completed, provided that the nonprofit organization:

- Acquires property that will be transferred to an organization listed in subdivisions (a) through (i) of section 77-2704.12(1); or
- Enters into a contract of construction, improvement, or repair upon property annexed to real estate if the property will be transferred to an organization listed in subdivisions (a) through (i) of section 77-2704.12(1)

The operative date for this part of the bill would be October 1, 2024.

*Incorporates Provisions of LB 58 with Modifications*

Under AM3420, this part of the bill would provide a sales and use tax exemption for diapers beginning July 1, 2027.

*Incorporates Provisions of LB 1040 with Modifications*

AM3420 would make changes regarding the nonrefundable income tax credit so that the credits would begin on or after taxable year 2025 for any grocery store retailer or restaurant that donates food to a food pantry, food bank, or food rescue during the taxable year and any agricultural producer that makes a qualifying agricultural food donation to a food bank, food pantry, or food rescue during the taxable year.

The credit is equal to 50% of the value of the food donations or qualifying agricultural food donations made during the taxable year, not to exceed \$2,500. Any amount of the credit that the taxpayer is prohibited from claiming in a taxable year could be carried forward to any of the three subsequent taxable years.

The DOR could approve up to \$500,000 of credits in FY26 and each fiscal year after.

This part of the bill would also make changes so that any amount relating to such food donations or qualifying agricultural food donations that was deducted as a charitable contribution on the taxpayer's federal income tax return must be added back in the determination of Nebraska taxable income before the credit may be claimed.

*Incorporates Provisions of LB 1002 with Modifications*

This aspect of the amendment would make changes to the Nebraska Biodiesel Tax Credit Act. The bill would change the limits for the credits so that the DOR could approve up to \$1,000,000 in tax credits in FY25 and up to \$1,500,000 in any fiscal year after. The bill would also change the sunset date from December 31, 2028 to December 31, 2029.

We estimate the following impact to General Fund revenues as a result of this bill:

	FY 24-25	FY 25-26	FY 26-27
Cast and Crew Nebraska Act	\$ -	\$ (500,000)	\$ (1,000,000)
Nebraska Shortline Rail Modernization Act	\$ -	\$ (500,000)	\$ (1,000,000)
Nebraska Pregnancy Help Act	\$ -	\$ (500,000)	\$ (1,000,000)
Intellectual Developmental Disabilities Support Act	\$ -	\$ (1,000,000)	\$ (1,500,000)
Medical Debt Relief Act	Indeterminant	Indeterminant	Indeterminant
Sustainable Aviation Fuel Tax Credit Act	\$ -	\$ -	\$ -
Caregiver Tax Credit Act	\$ -	\$ (1,500,000)	\$ (1,500,000)
Reverse Osmosis Sytem Tax Credit Act	\$ (500,000)	\$ (500,000)	\$ (500,000)
Nonprofit Organizations	\$ (688,000)	\$ (1,183,000)	\$ (1,343,000)
Food Donation Tax Credit	\$ -	\$ (500,000)	\$ (500,000)
Sales Tax Exemption-Diapers	\$ -	\$ -	\$ -
Nebraska Biodiesel Tax Credit Act	\$ -	\$ (500,000)	\$ (500,000)
<b>Total General Fund Revenues</b>	<b>\$ (1,188,000)</b>	<b>\$ (6,683,000)</b>	<b>\$ (8,843,000)</b>

We also estimate the following revenue loss to the Highway Trust Fund and the Highway Allocation Fund, which is distributed to cities and counties, as a result of the nonprofit sales and use tax exemptions:

	Highway Trust Fund	Highway Allocation Fund
FY 24-25	\$ (24,000)	\$ (4,000)
FY 25-26	\$ (48,000)	\$ (8,000)
FY 26-27	\$ (54,000)	\$ (10,000)

After considering the adjustment to operative dates from AM3420, we estimate for DOR a need for a one-time programming charge of \$250,000 to be paid to the Office of the Chief Information Officer (OCIO) in FY25. In FY26, we estimate expenditures for the DOR of \$780,367 which consists of \$469,367 of OCIO costs and 2.0 FTE Revenue Operations Clerk II, 1.0 FTE Information Technology Business Systems Analyst-Coordinator, 1.0 FTE Revenue Tax Specialist Senior. These positions would continue in years after FY26 along with an OCIO maintenance cost of \$58,772.

Also, after considering the adjustment to operative dates from AM3420, we estimate for DED costs in FY25 of \$135,883 for operations and an Economic Development Manager. In FY26, we estimate costs of \$325,730 for the Economic Development Manager and 0.75 FTE Economic Development Consultant II as well as operating costs that include \$100,000 to be paid to the OCIO. In subsequent years, the DED is estimated to need 1.0 FTE of both the Economic Development Manager and Economic Development Consultant II.