

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2025-26		FY 2026-27	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$307,297		\$246,500	(\$195,883,000)
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$307,297		\$246,500	(\$195,883,000)

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

LB 439 establishes the Property Tax Circuit Breaker Act.

For taxable years beginning on or after January 1, 2026, a qualifying taxpayer shall be eligible to receive a refundable income tax credit if the total amount of property taxes or rent paid by the qualifying taxpayer on his or her principal residence during the taxable year exceeds the qualifying taxpayer's threshold amount for such taxable year. The threshold amount means 5% of a qualifying taxpayer's federal adjusted gross income.

The credit shall be in an amount calculated as follows:

- a) The qualifying taxpayer's threshold amount for the taxable year shall be subtracted from the total amount of property taxes or rent paid by the qualifying taxpayer on his or her principal residence during the year; and
- b) The total in part a above shall then be multiplied by 50%

For purposes of the calculation, the amount of property taxes paid on the qualifying taxpayer's principal residence shall not exceed the amount of property taxes paid on a residence with a taxable value equal to 200% of the average assessed value of single-family residential property in the qualifying taxpayer's county of residence as determined under section 77-3506.02.

Credits granted to a qualifying taxpayer shall not exceed \$4,000, except that for senior taxpayers, the credit granted shall not exceed \$5,000.

A qualifying taxpayer shall apply for the credit by submitting an application to the Department of Revenue (DOR). If the DOR determines that the qualifying taxpayer qualifies for the tax credit, the DOR shall approve the application within 30 days after receipt of the application and shall certify the amount of the approved credit to the qualifying taxpayer. A qualifying taxpayer shall claim any tax credit under the Act by attaching the tax credit certification received from the DOR to the qualifying taxpayer's income tax return.

For qualifying taxpayers who own their principal residence, only one tax credit per residence may be claimed in any year, and a tax credit granted under the Act shall not exceed the amount of property taxes owed by the qualifying taxpayer on his or her principal residence.

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

The DOR estimates the following decrease to General Fund revenues as a result of the bill:

- FY27: (\$195,883,000)
- FY28: (\$203,719,000)
- FY29: (\$211,867,000)

The DOR estimates a need for a one-time programming charge of \$177,797 to be paid to the Office of the Chief Information Officer (OCIO) as a result of the bill. The DOR also estimates the need for 1.5 FTE Office Technician in FY26 and 3.0 FTE for that position in subsequent years along with 1.0 FTE Revenue Operations Clerk II for FY26 and 2.0 FTE for that position in subsequent years to implement the bill.

There is no basis to disagree with these estimates by the DOR.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE

LB: 439 AM: AGENCY/POLT. SUB: Department of Revenue

REVIEWED BY: Ryan Yang DATE: 2/26/2025 PHONE: (402) 471-4178

COMMENTS: The Department of Revenue assessment of fiscal impact from LB 439 appears reasonable.

State Agency Estimate

State Agency Name: Department of Revenue				Date Due LFO:			
Approved by: James R. Kamm				Date Prepared: 02/25/2025		Phone: 471-5896	
	FY 2025-2026		FY 2026-2027		FY 2027-2028		
	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>	
General Funds	\$307,297	\$ 0	\$246,500	\$(195,883,000)	\$236,500	\$(203,719,000)	
Cash Funds							
Federal Funds							
Other Funds							
Total Funds	\$307,297	\$ 0	\$246,500	\$(195,883,000)	\$236,500	\$(203,719,000)	

LB 439 adopts the Property Tax Circuit Breaker Act (Act). For tax years beginning on or after January 1, 2026, the Act allows a refundable income tax credit to qualifying taxpayers if the total amount of property taxes or rent paid by the qualifying taxpayer on his or her principal residence during the tax year exceeds the taxpayer’s threshold amount for the tax year. Threshold amount means 5% of the qualifying taxpayer’s federal adjusted gross income (AGI).

The Act defines a qualifying taxpayer as an individual who:

- a) owns or rents his or her principal residence in Nebraska and
- b) resides at such principal residence for at least six months of the tax year. Senior taxpayer means a qualifying taxpayer who is 65 years of age or older at the time of application.

The refundable credit is calculated as follows:

- a) The qualifying taxpayer’s threshold amount (5% of the qualifying taxpayer’s federal AGI) for such tax year is subtracted from the total amount of property taxes or rent paid by the qualifying taxpayer on his or her principal residence during the tax year, and
- b) This amount is multiplied by 50%.

The credit allowed cannot exceed \$4,000, except for senior taxpayers it cannot exceed \$5,000. For purposes of the credit calculation, the amount of property taxes paid on the qualifying taxpayer’s principal residence must not exceed the amount of property taxes paid on a residence with a taxable value equal to 200% of the average assessed value of a single-family residential property in the qualifying taxpayer’s county of residence as determined under Neb. Rev. Stat. § 77-3506.02. For homeowners, the Act allows only one tax credit per residence to be claimed in any year; and the credit cannot exceed the amount of property taxes owned by the qualifying taxpayer on his or her principal residence.

Qualifying taxpayers must apply for the credit to the Department of Revenue (DOR) with the following information:

- Address of his or her principal residence in Nebraska;
- Amount to property taxes or rent paid on the principal residence during the tax year;

Major Objects of Expenditure

Class Code	Classification Title	25-26	26-27	27-28	25-26	26-27	27-28
		FTE	FTE	FTE	Expenditures	Expenditures	Expenditures
S01011	Office Technician	1.5	3.0	3.0	\$47,100	\$97,300	\$97,300
S29112	Revenue Op Clerk II	1.0	2.0	2.0	\$39,000	\$80,500	\$80,500
	Benefits.....				\$28,400	\$58,700	\$58,700
	Operating Costs.....				\$177,797		
	Travel.....						
	Capital Outlay.....				\$15,000	\$10,000	
	Capital Improvements.....						
	Total.....				\$307,297	\$246,500	\$236,500

- Federal AGI for the tax year;
- For homeowners, the assessed value of the qualifying taxpayer’s principal residence used for determining the property taxes paid during the tax year; and
- Any other documentation required by DOR.

If DOR determines the qualifying taxpayer qualifies for a tax credit, DOR must approve the application within 30 days and certify the amount of the approved credit to the qualifying taxpayer. The credit is claimed by attaching the tax credit certification received from DOR to the qualifying taxpayer’s income tax return.

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

It is estimated that the fiscal impact of LB 439 to the General Fund revenues as follows:

Fiscal Year	General Fund Revenues
FY2025-26	\$ -
FY2026-27	\$ (195,883,000)
FY2027-28	\$ (203,719,000)
FY2028-29	\$ (211,867,000)

LB 439 will require a one-time programming charge of \$177,797 for adding a new form to eDASH, adding a line to 1040N, changes to the schedule, and other mainframes and web development. DOR will also need to hire 1.5 FTE of Office Technician for the first year then increased to 3.0 FTE in subsequent yea, and 1.0 FTE of Revenue Operation Clerk II for the first year then increased to 2.0 FTE in subsequent year to implement LB 439.