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DATE PREPARED: March 01, 2011  
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**LB 428**

Revision: 00

# FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *				
	FY 2011-12		FY 2012-13	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	See Below	(\$8,000,000)	See Below	(\$8,000,000)
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	See Below	(\$8,000,000)	See Below	(\$8,000,000)

\*Does not include any impact on political subdivisions. See narrative for political subdivision estimates.

LB 428 creates the Agricultural Tax Credit Act.

The bill provides a refundable income tax credit equal to the amount by which the property taxes paid in the year on agricultural property exceeds 10 percent of the taxpayer's federal adjusted gross income from agricultural operations. The credit is limited to \$1,000 in any taxable year.

The bill requires that the taxpayer be personally involved in the daily management of agricultural operations, has at least \$50,000 in federal adjusted gross income from agricultural operations, and has paid property taxes on agricultural land in Nebraska. The taxpayer does not qualify if they have more than \$50,000 in federal adjusted gross income from sources other than agricultural operations during the tax year for which they seek the credit.

LB 428 requires anyone seeking the credit to apply for it to the Department of Revenue. The Department is to review each application to determine if the taxpayer meets the qualifications specified in the bill and upon such determination certifies the amount of the credit and notifies the taxpayer they have qualified. To then claim the credit the taxpayer shall file a form developed by the Tax Commissioner with the tax credit certification attached. The credit is available to all qualifying individuals, fiduciaries, and corporations.

The Department of Revenue indicates, based on 2008 federal adjusted gross income levels that an estimated 8,500 agricultural operators will qualify for the credit each year. The annual impact is a reduction to the General Fund of \$8 million. Of this reduction, approximately \$6.74 million is individual income tax and \$1.26 is corporate income tax.

The Department also indicates that they would be unable to administer LB 428 as drafted. Taxpayers would apply for the credit before any of the information necessary for granting the credit is available. Therefore, they are unable to determine a reasonable estimate of administration costs at this time.

We agree with the Department's estimate of fiscal impact.

DEPARTMENT OF ADMINISTRATIVE SERVICES

REVIEWED BY	Lyn Heaton	DATE	3/2/11	PHONE	471-2526
COMMENTS					
DEPT. OF REVENUE – No basis upon which to disagree.					

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FEB 15 2011

Fiscal Note 2011

LB 428

State Agency Estimate

State Agency Name: Department of Revenue  
Approved by: Douglas Ewald

Date Prepared: 2/7/2011

Date Due LFA: 1/26/2011  
Phone: 471-5700

	<b>FY 2011-2012</b>		<b>FY 2012-2013</b>		<b>FY 2013-2014</b>	
	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>
General Funds	(See Below)	(\$8,000,000)	(See Below)	(\$8,000,000)	(See Below)	(\$8,000,000)
Cash Funds						
Federal Funds						
Other Funds						
Total Funds	(See Below)	(\$8,000,000)	(See Below)	(\$8,000,000)	(See Below)	(\$8,000,000)

LB 428 (Agricultural Tax Credit Act) provides a refundable income tax credit equal to the amount of property taxes paid in the state on agricultural and horticultural land that exceeds 10% of the taxpayer's federal adjusted gross income. The credit is limited to \$1,000 per tax year.

To be eligible, a taxpayer must be actively engaged in agricultural operations, have at least \$50,000 in federal adjusted gross income from such operations, and owns and has paid property taxes on agricultural and horticultural land in Nebraska. A taxpayer cannot qualify for the credit if more than \$50,000 in federal adjusted gross income came from sources other than agricultural operations during the tax year in which the taxpayer seeks the credit.

The taxpayer must apply to the Tax Commissioner to qualify for the credit annually. The Tax Commissioner will review each application and certify the amount of credit to each qualifying taxpayer. To claim the income tax credit, the taxpayer shall file a form developed by the Tax Commissioner and attach the tax credit certification issued by the Department. The credit is available to all qualifying individuals, fiduciaries, and corporations.

Based on 2008 federal adjusted gross income levels, it is estimated that approximately 8,500 agricultural operators will qualify for the credit each year. The annual impact is expected to be a reduction to General Fund income tax receipts of \$8 million. Of this reduction, approximately \$6.74 million is individual income tax, and \$1.26 million is corporate income tax.

The Department is not able to administer LB 428 as drafted. The bill suggests that taxpayers apply for a credit before any of the information necessary for granting the credit is available. Therefore, it is not possible to make a reasonable estimate of the administration costs at this time.

Major Objects of Expenditure

Class Code	Classification Title	11-12	12-13	13-14	11-12	12-13	13-14
		FTE	FTE	FTE	Expenditures	Expenditures	Expenditures
	Benefits.....						
	Operating Costs.....						
	Travel.....						
	Capital Outlay.....						
	Aid.....						
	Capital Improvements.....						
	<b>Total.....</b>						