PREPARED BY: Doug Gibbs
DATE PREPARED: February 18, 2011
PHONE: 471-0051

LB 432

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				
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS				

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

LB 432 would create renewable export facility tax credits.

A renewable export facility generates electricity using solar, wind, biomass, or landfill gas and is constructed and owned by a nonpublic entity. The facility has a power purchase agreement of ten year or more for the sale of 90 percent of its output with customers located outside of Nebraska and maintains an agreement for the life of the facility. For purposes of LB 432 it refers to such a facility put into service on or after July 1, 2015.

The bill creates a credit of 15 percent of sales and use taxes paid on eligible renewable property by the owner during the calendar year. The credit may be used to receive a refund of sales and use taxes. NOTE: the bill is unclear as to whether this refund is for state sales and use tax only or includes sales tax paid under the Local Option Revenue Act.

LB 432 also provides that the owner shall earn a credit for 50 percent of the value of stock or other ownership interest in the facility that the owner contributed to an employee ownership arrangement during the calendar year the facility is placed in service. In addition, the owner shall also earn a credit, the percentage based on the year the donation will occur, for a commitment made at the time the facility is placed in service to donate stock or other ownership interest to an employee ownership arrangement at a later date. NOTE: it is unclear if this is also a credit against sales and use tax or income tax.

The bill also creates a job and rural trust tax credit. The amount of the credit is limited to 25 percent of sales and use tax paid on eligible renewable property by the owner during the calendar year and may be used to receive a refund of sales and use taxes paid on eligible renewable property. NOTE: the bill is unclear as to whether this refund is for state sales and use tax only or includes sales tax paid under the Local Option Revenue Act.

The bill also includes a credit for the owner of a certified renewable export facility who contributes stock or other ownership interest to the Job and Rural Trust during the calendar year the facility is placed in service. The owner may also receive a credit for stock or other ownership interest for a commitment made to donate at a later date to the trust. NOTE: it is unclear if the Trust is an entity or refers to the cash fund created in a different section of the bill.

LB 432 creates the Job and Rural Trust Fund which is to be a cash fund in the state accounting system. The fund is to be administered by an unnamed board consisting of nine members appointed by the Governor with approval of the Legislature. Members are to be reimbursed for their expenses from the fund and are to have such powers and duties as are necessary to carry out the purposes of the bill.

As written, the bill specifies that 20 percent of the money received annually by the fund is to be transferred to the Building Entrepreneurial Communities Cash Fund and the Microenterprise Development Cash Fund. NOTE: it is unclear if the transfer is 20 percent to each fund or the 20 percent is divided equally between funds or in some other proportion.

15 percent of the money received by the fund annually is to be transferred to the General Fund and used to increase the credit limit under Section 77-5905 of the Nebraska Advantage Microenterprise Credit Act.

No less than 50 percent of the money received annually by the fund is to be used to make incentive payments to Nebraska businesses employing primarily Nebraskans for the establishment or expansion of businesses related to wind or renewable energy electricity generation. The board created by the bill is to prioritize grants and investments using this portion of the fund.

The Department of Revenue indicates that the bill will not have a General Fund impact until at least FY2015-16 and notes that C-BED projects will not generate any usable credits. When fully implemented, the bill could result in a General Fund impact of $10 million per year.

Costs to implement the bill include $3,350 for programming costs.

There is no basis to disagree with the Department of Revenue's estimate of fiscal impact and cost.

DEPARTMENT OF ADMINISTRATIVE SERVICES

REVIEWED BY	Lyn Heaton	DATE 2/22/11	PHONE 471-2526
COMMENTS			
DEPT. OF REVENUE – No basis upon which to disagree.			

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LEGISLATIVE FISCAL

LB 432 Fiscal Note 2011

State Agency Estimate

State Agency Name: Department of Revenue		Date Due LFA:
Approved by: Douglas Ewald	Date Prepared: 2/16/2011	Phone: 471-5700

	FY 2011-2012		FY 2012-2013		FY 2013-2014	
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue
General Funds						
Cash Funds						
Federal Funds						
Other Funds						
Total Funds						

LB 432 enacts two tax credits and a fund for rural and microenterprise development and grants to small businesses to manufacture renewable energy components.

A renewable export facility is granted a tax credit equal to 50% of the value of stock or other ownership interest in a certified facility that contributes to an employee ownership arrangement during the year the facility is placed into service. A credit is also granted for a legally-binding commitment for further contributions to the employee ownership agreement at future dates, and the amount of the credit is subject to a sliding scale, diminishing each year, depending on when the contribution is made. The credit may be used to receive a refund of sales and use tax paid on eligible renewable property by the owner of the facility.

The bill also creates a job and rural trust tax credit for the value of stock or other ownership interest in the facility that the owner contributes to the Job and Rural Trust Fund during the year the facility is placed into service. This credit is used to obtain a refund of up to 25% of the sales tax paid on eligible renewable property by the owner. A certified renewable export facility is defined in section 71-1001.01 (LB 1048, 2010) and applies to facilities that are placed in service on or after July 1, 2015. There would not be any refunds until that time.

This bill will not have a General Fund impact until at least FY 2015-16. Note that C-BED projects will not generate any usable credits. When fully implemented, LB 432 could result in a General Fund impact of $10 million per year.

Departmental cost to implement LB 432 includes a $3,350 programming cost to accommodate sales tax refunds when the bill becomes effective in 2015.

Major Objects of Expenditure

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