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PREPARED BY: Jeanne Glenn
DATE PREPARED: January 31, 2012
PHONE: 471-0056

LB 731

Revision: 00

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

| ESTIMATE OF FISCAL IMPACT – STATE AGENCIES * | | | | |
|----------------------------------------------|--------------|---------|--------------|---------|
| | FY 2012-13 | | FY 2013-14 | |
| | EXPENDITURES | REVENUE | EXPENDITURES | REVENUE |
| GENERAL FUNDS | | | | |
| CASH FUNDS | See below | | See below | |
| FEDERAL FUNDS | | | | |
| OTHER FUNDS | | | | |
| TOTAL FUNDS | See below | | See below | |

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

LB 731 would establish the Remanufacturing Pilot Project Act. Beginning in the 2013 tax year, an income tax credit would be given to eligible taxpayers, nonprofit organizations or governmental unit for each ton of material recycled or composted in Nebraska in excess of either the amount recycled or composted in the base year, or disposed in a solid waste facility in Nebraska during the base year. The per-ton credit would be based upon the statewide average tipping fee.

The Department of Environmental Quality (DEQ) would be authorized to carry out the following: 1) Determine a statewide average tipping fee; 2) accept applications for the program; 3) determine base year and tax year tonnage amounts; 4) authorize tax credits within program limits; and 5) certify to the applicant and the Department of Revenue the amount of tentative tax credits reserved for the applicant.

The Recovered Resource Income Tax Credit Fund would be established. Income tax credits would be allocated based upon the amount available in the fund. The Tax Commissioner would annually certify the amount of tax credits used and funds would be transferred from the Recovered Resource Income Tax Credit Fund to the General Fund. LB 731 provides that 10% of the funds available in the Waste Reduction and Recycling Cash Fund and 10% of the funds available in the Litter Reduction and Recycling Incentive Fund would be used to provide funding for income tax credits. Assuming that the intent of LB 731 is to transfer 10% of the fee collection in each fund to the Recovered Resource Income Tax Credit Fund, approximately \$529,000 would be available annually for the tax credit program.

The Department of Environmental Quality estimates that 1 FTE and associated operating costs totaling \$103,072 Cash Funds would be required in FY12-13 to establish the program and conduct research to develop base year data. DEQ estimates that .50 FTE and associated operating costs totaling \$50,037 Cash Funds would be required to operate the program on an annual basis for the remainder of the program. Administrative costs would be paid from the Waste Reduction and Recycling Incentive Fund.

There would be fewer grants funded from the Litter Reduction and Recycling Incentive Fund and the Waste Reduction and Recycling Cash Fund as a result of the 10% set-aside for income tax credits under LB 731 and related administrative expenses. There would be no overall increase or decrease in expenditures in DEQ, because existing program would be reallocated to LB 731.

The Department of Revenue would incur one-time costs to revise the individual and corporate income tax tracking systems. The costs would be \$90,794 Cash Funds in FY12-13. The costs would be deducted equally between the collections of the Waste Reduction and Recycling Cash Fund and the Litter Reduction and Recycling Incentive Fund.

The act would sunset on December 31, 2022.

DEPARTMENT OF ADMINISTRATIVE SERVICES

| | | | | | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|------|---------|-------|----------|
| REVIEWED BY | Lyn Heaton | DATE | 1/31/12 | PHONE | 471-2526 |
| COMMENTS | | | | | |
| DEPARTMENT OF ENVIRONMENTAL QUALITY: The department's analysis appears reasonable. Also, the department is correct in that there does not appear to be a mechanism for crediting or transferring the funding into the Recovered Resource Income Tax Credit Fund. | | | | | |
| DEPARTMENT OF REVENUE: The department's analysis appears reasonable. | | | | | |

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LEGISLATIVE FISCAL

Please complete ALL (5) blanks in the first three lines.

LB⁽¹⁾ 731 FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Department of Environmental Quality

Prepared by: ⁽³⁾ Tom Lamberson Date Prepared: ⁽⁴⁾ 01/12/2012 Phone: ⁽⁵⁾ 402 471-4235

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

| | <u>FY 2012-2013</u> | | <u>FY 2013-2014</u> | |
|---------------|---------------------|----------------|---------------------|----------------|
| | <u>EXPENDITURES</u> | <u>REVENUE</u> | <u>EXPENDITURES</u> | <u>REVENUE</u> |
| GENERAL FUNDS | _____ | _____ | _____ | _____ |
| CASH FUNDS | <u>103,072</u> | _____ | <u>50,037</u> | _____ |
| FEDERAL FUNDS | _____ | _____ | _____ | _____ |
| OTHER FUNDS | _____ | _____ | _____ | _____ |
| TOTAL FUNDS | <u>103,072</u> | _____ | <u>50,037</u> | _____ |

Return by date specified or 72 hours prior to public hearing, whichever is earlier.

Explanation of Estimate:

The DEQ estimates it will take 1.0 FTE the first year, and 0.5 FTE the remaining years until December 31, 2022 to implement the program described in this proposal. The FTE and other administrative expenses will be funded from the Waste Reduction and Recycling Incentive Fund.

Section 3 of LB 731 requires the DEQ to annually determine a statewide average tipping fee for solid waste disposed. DEQ assumes it would need to collect information on the total tonnage and fees for solid waste disposed of in the state in the prior calendar year at each of its permitted disposal areas.

Section 4 of LB 731 requires the DEQ to determine a base-year tonnage amount, set the tax-year tonnage amount, determine the tentative tax credit, and authorize a tax credit to applicants. Performance of these activities will require the DEQ to review records to verify the validity of each the tax credits claimed by each of the applicants. Some level of on-site auditing or inspection may be necessary for larger applications.

Section 14 of LB 731 allocates ten percent of the funds in the Nebraska Litter Reduction and Recycling Fund on an annual basis for use to fund the tax credit provided for in the proposal. For purposes of this fiscal note, the DEQ assumes that the intent is that ten percent of the fee revenue deposited in the fund during one fiscal year would be allocated to fund the tax credit. Based on fee revenue from July 1, 2010 to June 30, 2011 the DEQ estimates approximately \$162,000 annually would be available from this fund for the tax credit.

Section 15 of LB 731 allocates ten percent of the funds in the Waste Reduction and Recycling Incentive Fund on an annual basis for use to fund the tax credit provided for in the proposal. For purposes of this fiscal note the DEQ assumes that the intent is that ten percent of the fee revenue deposited in the fund during one fiscal year would be allocated to fund the tax credit. Based on fee revenue from July 1, 2010 to June 30, 2011 the DEQ estimates approximately \$367,000 annually would be available from this fund for the tax credit.

It is not clear how funds are transferred from either the Nebraska Litter Reduction and Recycling Fund or the Waste Reduction and Recycling Incentive Fund to the Recovered Resource Income Tax Credit Fund established by LB 731.

Any funding used for tax credits will reduce the amount available annually for grants from the Waste Reduction and Recycling Program and the Litter Reduction and Recycling Program.

MAJOR OBJECTS OF EXPENDITURE

Personal Services:

| <u>POSITION TITLE</u> | <u>NUMBER OF POSITIONS</u> | | <u>2012-2013</u> | <u>2013-2014</u> |
|----------------------------------------------|----------------------------|--------------|---------------------|---------------------|
| | <u>12-13</u> | <u>13-14</u> | <u>EXPENDITURES</u> | <u>EXPENDITURES</u> |
| Environmental Quality Programs Specialist II | 1 | 0.5 | 42,010 | 21,005 |
| Benefits..... | | | 27,763 | 13,882 |
| Operating..... | | | 26,299 | 13,150 |
| Travel..... | | | 2,000 | 2,000 |
| Capital outlay..... | | | 5,000 | |
| Aid..... | | | | |
| Capital improvements..... | | | | |
| TOTAL..... | | | 103,072 | 50,037 |

LEGISLATIVE FISCAL State Agency Estimate

State Agency Name: Department of Revenue Date Due LFA: 1/12/2012
Approved by: Douglas Ewald Date Prepared: 1/13/2012 Phone: 471-5700

Table with columns for FY 2012-2013, FY 2013-2014, and FY 2014-2015, each split into Expenditures and Revenue. Rows include General Funds, Cash Funds, Federal Funds, Other Funds, and Total Funds.

LB 731, the Remanufacturing Pilot Project Act, authorizes refundable income tax credits for each ton of recovered resources that are recycled or composted, above a base year, into a useable commodity. The tax credit is transferrable and may be earned by a taxpayer, nonprofit, or a political subdivision.

The bill directs annual transfers from the Nebraska Litter Reduction and Recycling Fund (litter fees) and the Waste Reduction and Recycling Incentive Fund (tire and waste recycling fees) equal to 10% of the funds available to a newly-created Recovered Resource Income Tax Credit Fund.

The bill does not have a General Fund impact. Annual transfers equal to 10% of proceeds from the Nebraska Litter Reduction and Recycling Fund and the Waste Reduction and Recycling Incentive Fund will be approximately \$465,000 and \$477,000 in fiscal years FY2013-14 and FY 2014-15.

The bill is operative on January 1, 2013, and sunsets December 31, 2022.

Departmental cost to implement LB 731 includes one-time programming fees to add lines to the 1040N, 1120N, and 1041N returns, as well as NebFile. These programming charges from the OCIO are estimated to total \$90,794, half of which will be deducted from the Nebraska Litter Reduction and Recycling Fee, and the other half from the Waste Reduction and Recycling Incentive Fund.

Major Objects of Expenditure

Table with columns for Class Code, Classification Title, and expenditure amounts for fiscal years 12-13, 13-14, and 14-15. Rows include Benefits, Operating Costs, Travel, Capital Outlay, Aid, Capital Improvements, and Total.