

FISCAL NOTE
 LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *				
	FY 2012-13		FY 2013-14	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	See below	(\$ 501,207,000)	See below	(\$ 506,219,000)
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	See below	(\$ 501,207,000)	See below	(\$ 506,219,000)

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

LB 1011 creates the Property Tax Relief Act.

The bill would provide a refundable income tax credit for owners of owner-occupied residential property and owners of agricultural land. The credit would apply to resident individuals, estates, and trusts, and resident or partial-year resident beneficiaries of an estate or trust.

To claim the credit an individual must file a claim with the Department of Revenue. The amount of the credit is capped at \$4,000 per claimant.

The amount of the credit is a percentage of household income subtracted from the amount of property taxes accrued in the preceding calendar year. The following table shows the percentage used to determine the credit and the associated minimum and maximum income levels:

Credit Percentage:	Minimum Household Income Level:	Maximum Household Income Level:
4.0%	\$ 0	\$ 10,000
5.0%	\$ 10,001	\$ 15,000
6.5%	\$ 15,001	\$ 20,000
9.0%	\$ 20,001	\$ 25,000
12.0%	\$ 25,001	\$ 30,000
18.0%	\$ 30,001	None

Income for an individual is defined as federal AGI, plus any Nebraska adjustments increasing AGI, less IRS section 179 first-year depreciation allowances, and less the first \$25,000 of depreciation expenses claimed by all individuals in the household. For estates and trusts, income is the same as for individuals except that net income before subtraction of any deduction for income distributed to beneficiaries is included instead of Nebraska AGI.

The bill is to become operative for tax years beginning on or after January 1, 2012.

The Department of Revenue indicates the following fiscal impact as a result of LB 1011:

FY2012-13:	(\$ 501,207,000)
FY2013-14:	(\$ 506,219,000)
FY2014-15:	(\$ 511,281,000)

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

The Department also indicated that the cost to implement LB 1011 will be significant and will require the creation of a database including all real estate parcels. The database would be similar to a system required by LB 565 (2005), the Nebraska Land Information System Program Act. However, the Department declined to place a number on the cost of implementation of LB 1011, although they did indicate it would require an unknown number of additional Revenue Operations staff for processing applications and mainframe programming charges by the OCIO to add lines and schedules to existing tax forms and the NebFile system.

Based on the requirements of LB 1011 and the LB 565 (2005) fiscal note, we estimate the cost to implement LB 1011 to be between \$550,000 and \$1,250,000.

Departmental cost to implement LB 1011 will be significant. Prior to electronic filing, a circuit-breaker program as envisioned in the bill could be processed by requiring a copy of the property tax statement with the taxpayer name. Electronic filing requires the creation of a database with all real estate parcels. Currently, no such database exists. The database would be similar to the system required by LB 565 (2005), the Nebraska Land Information System Program Act. The fiscal note for LB 565 required expenditures in the millions of dollars to collect the data and provide infrastructure to carry out the provisions of the act. This bill would require some unknown number of additional Revenue Operations staff for processing the applications. In addition, the Department would incur one-time mainframe programming charges by the OCIO to add lines and schedules to the individual income tax return, fiduciary income tax return, and the NebFile system.