PREPARED BY: DATE PREPARED: PHONE: Doug Gibbs February 01, 2016 402-471-0051

**LB 907** 

Revision: 00

## **FISCAL NOTE**

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT - STATE AGENCIES (See narrative for political subdivision estimates)							
	FY 2016-17		FY 2017-18				
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE			
GENERAL FUNDS		See Below		See Below			
CASH FUNDS							
FEDERAL FUNDS							
OTHER FUNDS							
TOTAL FUNDS		See Below		See Below			

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

LB 907 amends the New Markets Job Growth Investment Act.

The bill amends Section 77-1108, the definition of qualified active low-income community business, to strike language regarding the requirement that a business controlled by, or under common control with, another business be the primary tenant of real estate leased from the that business.

Section 77-1109 is amended to strike the requirement that a qualified community development entity has entered into an allocation agreement with the Community Development Financial Institutions Fund of the United States Department of the Treasury.

LB 907 amends Section 77-1115 to increase the cap on tax credits from the current \$15 million to \$25 million in any fiscal year for fiscal years beginning after June 30, 2016.

The bill also amends Section 58-210.02 to add a New Markets Job Growth Investment Act project to the definition of "economic-impact project."

The Department of Revenue estimates the following fiscal impact as a result of the provisions of LB 907:

FY2016-17: \$ 0 FY2017-18: \$ 0 FY2018-19: (\$10,000,000)

The Department indicates that cost to implement LB 907 will be minimal.

NOTE: While the bill provides that the tax credit cap shall be raised from \$15 million to \$25 million per fiscal year for fiscal years beginning after June 30, 2016, Section 77-1103 provides that the applicable percentage for the credit allowance will be zero percent for the first two years an entity is qualified for the credit (the year of investment and the first year after), therefore there is no fiscal impact for FY16-17 and FY17-18. Thereafter the fiscal impact is \$10,000,000 each fiscal year.

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

## **LB 907** Fiscal Note 2016

		State Agency	Estimate				
State Agency Name: Department	t of Revenue				Date Due LFA:	2/1/2016	
Approved by: Tony Fulton		Date Prepared:	01/29/2016		Phone: 471-5896		
	FY 201	FY 2016-2017		FY 2017-2018		FY 2018-2019	
	<b>Expenditures</b>	Revenue	<b>Expenditures</b>	Revenue	<b>Expenditures</b>	Revenue	
General Funds		\$0	1	\$0		(\$10,000,000)	
Cash Funds							
Federal Funds							
Other Funds							
Total Funds		\$0		\$0		(\$10,000,000)	
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LB 907 would amend the New Markets Tax Credit Act, Neb. Rev. Stat. §§ 77-1108, 77-1115, and 77-1116 to:

- 1. Eliminate the requirement that the Community Development Entity (CDE) have and document a federal allocation of New Market Tax Credits to qualify as a Nebraska CDE;
- 2. Allow the qualified active low-income community business (QALICB) to derive more than 15% of its income from renting real estate so long as the QALICB is controlled by or in common control with another business that does not derive more than 15% of its revenue from renting real estate. Currently, the second business must be the primary tenant of the QALICB for the first business to qualify as a QALICB; and
- 3. Increase the annual allocation of credits from \$15 million to \$25 million beginning with fiscal year 2016-17.

The bill would also amend the NIFA statutes, Neb. Rev. Stat. § 58-210.02 to include Nebraska-only New Markets Tax Credit projects within the definition of "economic-impact project."

The Department estimates the reduction to the General Fund revenues as follows:

FY 2016-2017 \$0 FY 2017-2018 \$0 FY 2018-2019 \$10,000,000

The costs to the Department to implement LB 907 are estimated to be minimal.

Major Objects of Expenditure								
Class Code	Classification Title	16-17 <u>FTE</u>	17-18 <u>FTE</u>	18-19 <u>FTE</u>	16-17 Expenditures	17-18 Expenditures	18-19 Expenditures	
Operating Costs								
Travel								
Capital Outlay								
4 * 4								
	S							
Total								