

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2018-19		FY 2019-20	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$424,014	(\$262,700,000)	\$201,800	(\$636,900,000)
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$424,014	(\$262,700,000)	\$201,800	(\$636,900,000)

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

LB 829 creates the Property Tax Relief Act and amends the Nebraska Revenue Act of 1967.

The bill provides, for tax years on or after January 1, 2019, a refundable credit against Nebraska income tax in the amount of fifty percent of school district taxes levied on the taxpayer’s property and paid by the taxpayer during such taxable year.

School district taxes are defined as property taxes levied on property in Nebraska by a school district or multiple-district school system, excluding any property taxes levied for bonded indebtedness and any property taxes levied as a result of an override of limits on property tax levies approved by voters pursuant to Section 77-3444.

The bill allows the Department of Revenue to promulgate rules and regulations.

NOTE: The Department of Revenue and the Legislative Fiscal Office both note areas of the bill that require clarification. First, by requiring the property taxes to be levied and paid in the same tax year, a number of taxpayers will not be able to claim the credit by paying before the end of the tax year and not before the two delinquency dates (May 1 and September 1, except in Douglas, Lancaster, and Sarpy counties where the dates are April 1 and August 1).

The Department of Revenue has estimated the fiscal impact of LB 829 based on the bill as written, and that impact to the General Fund is as follows:

FY2018-19:	(\$ 262,700,000)
FY2019-20:	(\$ 636,900,000)
FY2020-21:	(\$ 652,400,000)
FY2021-22:	(\$ 668,500,000)
FY2022-23:	(\$ 685,100,000)
FY2023-24:	(\$ 702,400,000)
FY2024-25:	(\$ 720,300,000)

The Department of Revenue also indicates they will require a one-time programming charge of \$211,914 paid to the Office of the CIO for development costs. They will also require 1.0 FTE IT Developer/Senior, 1.0 FTE Revenue Operation Clerk II, 0.5 FTE Revenue Agent Senior, 0.5 FTE Accounting Clerk II, and 0.5 FTE Accountant I to implement. PSL for FY2018-19 would be \$148,200 and \$151,700 for FY2019-20.

We have no basis to disagree with the Department of Revenue estimate of fiscal impact or cost.

The Department of Revenue has also estimated the fiscal impact of the LB 829 if the bill eliminated the requirement that the property taxes be paid in the same year they are levied and, instead, granted the credit for property taxes paid. The fiscal impact to the General Fund would be as follows:

FY2018-19:	(\$ 233,200,000)
FY2019-20:	(\$ 800,400,000)
FY2020-21:	(\$ 1,156,100,000)
FY2021-22:	(\$ 1,202,300,000)
FY2022-23:	(\$ 1,250,300,000)
FY2023-24:	(\$ 1,300,200,000)
FY2024-25:	(\$ 1,352,200,000)

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE

LB: 829 AM: AGENCY/POLT. SUB: Dept. of Revenue

REVIEWED BY: Lyn Heaton DATE: 1/24/2018 PHONE: [\(402\) 471-4181](tel:4024714181)

COMMENTS: No basis upon which to disagree with the Department of Revenue's analysis.

State Agency Estimate

State Agency Name: Department of Revenue		Date Due LFA: 01/23/2018				
Approved by: Tony Fulton		Date Prepared: 01/23/2018				
		Phone: 471-5896				
	FY 2018-2019		FY 2019-2020		FY 2020-2021	
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue
General Funds	\$424,014	(\$262,700,000)	\$201,800	(\$636,900,000)	\$204,600	(\$652,400,000)
Cash Funds						
Federal Funds						
Other Funds						
Total Funds	\$424,014	(\$262,700,000)	\$201,800	(\$636,900,000)	\$204,600	(\$652,400,000)

LB 829 would adopt the Property Tax Relief Act. This Act would provide a refundable income tax credit for taxable years beginning, or deemed to begin, on or after January 1, 2019, equal to 50% of the school district property taxes levied and paid on the taxpayer’s property during the taxable year, excluding taxes levied to service bonded indebtedness or pursuant to an override of the levy limits as allowed by Neb. Rev. Stat. § 77-3444. The Department is authorized to promulgate rules and regulations to carry out the Act.

Sections 5, 6, and 7 amend Neb. Rev. Stat. §§ 77-2715.07, 77-2717, & 77-2734.03 to incorporate the new refundable income tax credit into the credits listed for individuals, fiduciaries, beneficiaries of an estate or trust, and corporations.

LB 829 would require clarification in a number of areas. By excluding bonded indebtedness and levy overrides, those items will need to be separately listed in the property tax statements (currently, they are not). There is disagreement over what constitutes bonded indebtedness since schools borrow money through multiple mechanisms.

By requiring the property taxes to be both levied and paid in the same tax year, many taxpayers will not be able to take advantage of the credit by paying before the end of the tax year and well before the two delinquency dates. The Department has estimated the costs of the bill as drafted but also included the costs of LB 829 assuming this requirement is removed.

LB 829 will require a one-time programming charge of \$211,914 paid to the OCIO for development costs. The Department would need to hire 1.0 FTE IT Applications Developer/Senior to implement this bill. Currently, most partnerships and limited liability companies are not required to file a return, but under LB 829, approximately 12,500 additional partnerships and LLCs will file a return to claim a refund. For partnerships and LLCs, refunds are issued manually, so the Department would also need to hire 1.0 FTE Revenue Operations Clerks II, 0.5 FTE Revenue Agent Senior, 0.5 FTE Accounting Clerk II, and 0.5 FTE Accountant I to implement LB 829.

Major Objects of Expenditure

Class Code	Classification Title	18-19	19-20	20-21	18-19	19-20	20-21
		FTE	FTE	FTE	Expenditures	Expenditures	Expenditures
A07012	IT Applications Developer/Senior	1.0	1.0	1.0	\$65,200	\$66,700	\$67,700
S29112	Revenue Operations Clerk II	1.0	1.0	1.0	\$30,800	\$31,500	\$31,900
X29223	Revenue Agent Senior	0.5	0.5	0.5	\$20,300	\$20,800	\$21,100
S19112	Accounting Clerk II	0.5	0.5	0.5	\$14,500	\$14,900	\$15,100
A19211	Accountant I	0.5	0.5	0.5	\$17,400	\$17,800	\$18,000
Benefits.....					\$48,900	\$50,100	\$50,800
Operating Costs.....					\$211,914		
Travel.....							
Capital Outlay.....					\$15,000		
Capital Improvements.....							
Total.....					\$424,014	\$201,800	\$204,600

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

Fiscal Year	General Fund
FY 2018-19	\$ 262,700,000
FY 2019-20	\$ 636,900,000
FY 2020-21	\$ 652,400,000
FY 2021-22	\$ 668,500,000
FY 2022-23	\$ 685,100,000
FY 2023-24	\$ 702,400,000
FY 2024-25	\$ 720,300,000

If the bill eliminated the requirement that the property taxes paid and levied must occur in the same year, and instead, granted the tax credit for property taxes paid, the Department estimates the reduction to General Fund Revenue as follows:

Fiscal Year	General Fund
FY 2018-19	\$ 233,200,000
FY 2019-20	\$ 800,400,000
FY 2020-21	\$ 1,156,100,000
FY 2021-22	\$ 1,202,300,000
FY 2022-23	\$ 1,250,300,000
FY 2023-24	\$ 1,300,200,000
FY 2024-25	\$ 1,352,200,000