Douglas Gibbs February 22, 2018 402-471-0051

LB 1023

Revision: 00 FISCAL NOTE LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)										
	FY 201	8-19	FY 20	19-20						
	EXPENDITURES	REVENUE	EXPENDITURES REVENUE							
GENERAL FUNDS	\$101,389	See Below	\$0	See Below						
CASH FUNDS										
FEDERAL FUNDS										
OTHER FUNDS										
TOTAL FUNDS	\$101,389	See Below	\$0	See Below						

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

LB 1023 amends a number of sections of statute dealing with tax incentive programs to change the sunset dates.

Section 13-204 is amended to provide that no new applications for certification for tax credits under the Community Development Assistance Act will be filed after December 31, 2018.

Section 77-1116 is amended to provide that no new applications under the New Markets Job Growth Investment Act will be filed after December 31, 2018.

Section 77-27,187.02 is amended to provide that no new applications will be filed under the Nebraska Rural Advantage Development Act after December 31, 2018.

Section 77-2912 is amended to provide that no new applications will be filed after December 31, 2018 for the Nebraska Job Creation and Mainstreet Revitalization Act.

Section 77-5208 is amended to provide that no new applications will be filed after December 31, 2018 under the Beginning Farmer Tax Credit Act.

Section 77-5725 amends the Nebraska Advantage Act to provide that no new applications for benefits under Tier 1, Tier 2, Tier 3, Tier 4, Tier 5, or Tier 6 will be filed after December 31, 2018.

Section 77-5806 regarding the Nebraska Advantage Research and Development Act is amended to provide that no business firm shall be allowed to first claim the credit for any tax year beginning or deemed to begin after December 31, 2018.

Section 77-5905 regarding the Nebraska Advantage Microenterprise Tax Credit Act is amended to provide that the Department of Revenue may only approve applications up through December 31, 2018.

Section 77-6306 amends the Angel Investment Tax Credit Act to provide that no tax credits shall be allocated for calendar years after 2018.

The Department of Revenue indicates that the accelerated sunset date for the Nebraska Advantage Act would not result in any fewer applications; rather, they expect an influx in applications prior to the new sunset date with attainment being obtained later.

The Department indicates that LB 1023 will require a one-time programming charge of \$101,389 paid to the Office of the CIO to remove credit lines from the Form 1040N, NebFile, Form 1120N, and Form 1041N.

We have no basis to disagree with the Department of Revenue's estimate of cost.

	FY2018-19:	FY2019-20:	FY2020-21:	FY2021-22:
Nebraska Job Creation and Mainstreet				
Revitalization Act: Angel Investment Tax	\$ 0	\$ 10,000,000	\$ 10,000,000	\$ 10,000,000
Credit: Nebraska Advantage	\$ 0	\$ 4,000,000	\$ 4,000,000	\$ 4,000,000
Rural Development Act: New Markets Job	\$ 0	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000
Growth Investment Act: Community	\$ 0	\$ 0	\$ 2,300,000	\$ 2,300,000
Development Act: Beginning Farmer Tax	\$ 117,000	\$ 233,000	\$ 233,000	\$ 233,000
Credit Act: Nebraska Advantage Microenterprise Tax	\$0	\$ 1,120,000	\$ 1,220,000	\$ 1,330,000
Credit Act: Nebraska Advantage Research and	\$0	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000
Development Act: Nebraska Advantage	\$ 0	\$ 103,000	\$ 324,000	\$ 785,000
Act: Premium and Retaliatory	\$ 0	\$ 0	\$ 0	\$ 0
Tax Suspense Fund: General Fund: Total Funds:	\$0 \$117,000 \$117,000	\$0 \$19,456,000 \$19,456,000	\$575,000 \$21,502,000 \$22,077,000	\$ 675,000 \$ 23,373,000 \$ 23,048,000

The Department of Revenue estimates the following increases to General Fund and Cash Fund revenues from the accelerated sunset dates as follows:

We have no basis to disagree with the Department of Revenue's estimate of fiscal impact.

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

LB: 1023	AM:	AGENCY/POLT. SUB:	Revenue			
REVIEWED B	Y: Lyn Heaton	DATE: 2/20/2018	PHONE: (402) 471-4181			
COMMENTS: No basis upon which to disagree with the Department of Economic Development's analysis.						

Fiscal Note 2018

State Agency Esumate										
State Agency Name: Department of Revenue Date Due LFA:										
Approved by: Tony Fulton	Date Prepar	red:	ed: Phone: 471-5896							
	FY 2018	-2019	FY 2019	0-2020	FY 2020-2021					
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue				
General Funds	\$101,389	\$117,000		\$19,456,000		\$21,502,000				
Cash Funds						\$575,000				
Federal Funds										
Other Funds										
Total Funds	\$101,389	\$117,000		\$19,456,000		\$22,077,000				

State A man an Estimate

LB 1023 provides new sunset dates for several economic tax incentive programs.

No new applications shall be accepted under the Community Development Assistance Act after December 31, 2018.

No new applications shall be accepted under the New Markets Job Growth Investment Act after December 31, 2018.

No new applications shall be accepted under the Nebraska Advantage Rural Development Act after December 31, 2018.

No new applications shall be accepted under the Nebraska Job Creation and Mainstreet Revitalization Act after December 31, 2018.

No new applications for tax credits or exemptions shall be approved or certified under the Beginning Farmer Tax Credit Act after December 31, 2018.

No new applications shall be accepted under the Nebraska Advantage Act after December 31, 2018.

No business shall be allowed to first claim a credit under the Nebraska Advantage Research and Development Act for any tax year beginning after December 31, 2018.

No applications for tentative tax credits under the Nebraska Advantage Microenterprise Tax Credit Act may be approved for calendar years beginning after December 31, 2018.

No tax credits may be allocated under the Angel Investment Act for calendar years beginning after 2018.

The accelerated sunset date for the Nebraska Advantage Act would not result in any fewer applications; rather, the Department would expect an influx in applications prior to the 12/31/18 date with attainment being achieved later.

Major Objects of Expenditure										
<u>Class Code</u>	Classification Title	18-19 <u>FTE</u>	19-20 <u>FTE</u>	20-21 <u>FTE</u>	18-19 <u>Expenditures</u>	19-20 <u>Expenditures</u>	20-21 <u>Expenditures</u>			
Benefits					l					
Operating Costs	Benefits									
Travel										
Capital Outlay										
	nts									
					\$101,389					

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The Department estimates the increases to General Fund and Cash Fund revenues from the accelerated sunset dates as follows:

	FY 2018	-2019	FY	2019-2020	FY	2020-2021	FY	2021-2022
Nebraska Job Creation and Mainstreet Revitalization Act	\$	-	\$	10,000,000	\$	10,000,000	\$	10,000,000
Angel Investment Tax Credit	\$	-	\$	4,000,000	\$	4,000,000	\$	4,000,000
Nebraska Advantage Rural Development Act	\$	-	\$	2,000,000	\$	2,000,000	\$	2,000,000
New Markets Job Growth Investment Act	\$	-	\$	-	\$	2,300,000	\$	2,700,000
Community Development Assistance Act	\$ 11	7,000	\$	233,000	\$	233,000	\$	233,000
Beginning Farmer Tax Credit Act	\$	-	\$	1,120,000	\$	1,220,000	\$	1,330,000
Nebraska Advantage Microenterprise Tax Credit Act	\$	-	\$	2,000,000	\$	2,000,000	\$	2,000,000
Nebraska Advantage Research and Development Act	\$	-	\$	103,000	\$	324,000	\$	785,000
Nebraska Advantage Act	\$	-	\$	-	\$	-	\$	-
Premium and Retaliatory Tax Suspense Fund	\$	-	\$	-	\$	575,000	\$	675,000
General Fund	\$ 11	7,000	\$	19,456,000	\$	21,502,000	\$	22,373,000
Total Fund	\$ 11	17,000	\$	19,456,000	\$	22,077,000	\$	23,048,000

LB 1023 will require a one-time programming charge of \$101,389 paid to the OCIO to remove credit lines from the 1040N, NebFile, 1120N, and 1041N.

Please complete <u>ALL</u> (5) blanks in the first three lines.

LB ⁽¹⁾ 1023			FISCAL NOTE
State Agency OR Political Subdivision Name: ⁽²⁾	Department of Eco	onomic Development	
Prepared by: ⁽³⁾ Dave Rippe	Date Prepared: ⁽⁴⁾	1/18/2018 Phone: ⁽⁵⁾	471-3777
ESTIMATE PROVI	DED BY STATE AGEN	CY OR POLITICAL SUBDIVIS	ION
FY	2018-19	FY 2019	9-20
EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS			
CASH FUNDS			
FEDERAL FUNDS			
OTHER FUNDS			. <u></u>
TOTAL FUNDS			

Explanation of Estimate:

LB1023 ends applications to the Community Development Assistance Act (CDAA) on December 31, 2018.

The bill also changes the sunset dates to December 31, 2018 for the New Markets Job Growth Investment Act, the Nebraska Advantage Rural Development Act, the Nebraska Job Creation and Mainstreet Revitalization Act, the Beginning Farmer Tax Credit Act, the Nebraska Advantage Act, the Nebraska Advantage Research and Development Act, the Nebraska Advantage Microenterprise Tax Credit Act, and the Angel Investment Tax Credit Act. All of the sunset dates are currently December 31, 2022, except for the six tiers of the Nebraska Advantage Advantage Act, which currently sunset on December 31, 2020.

DED estimates that ½ of the \$350,000 in tax credits allocated annually to the CDAA program will be awarded in FY2018-19, and that \$100,000 of these credits will be taken in FY2019-20.

\$4 million in refundable Angel Investment tax credit will be allocated by DED for 2018 and \$0 for 2019. This implies a General Fund revenue increase of \$0 in FY2018-19, and \$4 million in FY2019-20.

It is estimated that there will be minimal costs to the Department to implement LB 1023 as drafted.

OWN BY MAJ	OR OBJECTS OF	<u>EXPENDITURE</u>	
NUMBER OF	F POSITIONS	2018-19	2019-20
<u>18-19</u>	<u>19-20</u>	EXPENDITURES	EXPENDITURES
<u> </u>			
	NUMBER OF	NUMBER OF POSITIONS 18-19 19-20	18-19 19-20 EXPENDITURES