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LB 875

Revision: 00

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *

	FY 2008-09		FY 2009-10	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				(101,600)
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS				(101,600)

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

LB 875 would expand the statutory guidelines for participation in the Beginning Farmer Tax Credit Program. Current law provides that owners of agricultural assets must have derived at least 50% of their gross annual income from farming or livestock production and provided a majority of the day-to-day physical labor and management of the farm. Under LB 875, these provisions would be removed. In addition, corporations, limited liability companies and other business entitles would qualify under the program as an owner of agricultural assets, and share-rent agreements involving relatives would be eligible under the program if a legally binding succession plan is submitted. The revisions contained in LB 875 would become effective for tax year 2008.

It is estimated that expanded eligibility guidelines could result in increased participation and tax credits granted under the program. The Department of Revenue data indicates that 600 to 700 individuals start farming operations annually in Nebraska. The agency estimates that 150 individuals could enter the program each year, based upon the expanded eligibility guidelines; this would represent 20 to 25% of individuals starting operations.

The actual impact to General Fund revenue will depend upon the number of individuals who qualify to receive the credit and the amount of rental agreements used to determine the amount of tax credits. Average tax credits received by property owners under the program have ranged from $2,419 (2001) to $959 (2006). Based upon the average tax credits, and assuming that 150 new applicants could qualify for the program, there is no basis to disagree with the Department of Revenue estimates regarding the potential revenue loss as a result of LB 875:

FY07-08 -- $0
FY08-09 – ($101,600)
FY09-10 – ($362,500)
FY10-11 – ($714,200)

Lower program participation levels would decrease the amount of revenue loss.

It is estimated that the fiscal impact to the Department of Revenue would not be significant. There would be an additional workload for the Department of Agriculture to process and evaluate additional program applications. It is estimated that existing agency staff could carry out the program duties.