

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2020-21		FY 2021-22	
	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 1025 amends the Nebraska Advantage Act to create the Tax Credit Buy-Back Program. Taxpayers are eligible for the program if the taxpayer owns credits authorized under Neb. Rev. Stat. sec. 77-5725 and offers to sell at least \$50,000 of credits. The bill requires the state to pay 25 cents for each dollar of credits purchased under the program.

A participating taxpayer must apply to the Department of Revenue and include the (1) name of the taxpayer; (2) amount of credits eligible to be purchased as of the application date; and (3) amount of tax credits the taxpayer wishes to sell to the state.

The department must accept applications for participation in the program in any year for which the Legislature has appropriated funds for the program. The total amount must not exceed the amount appropriated to the program, and if the amount requested exceeds the appropriated amount, the department must proportionally reduce the amount purchased from each taxpayer.

The department estimates the fiscal impact of the program will be \$5,000,000 annually. This estimate is based on the assumption that taxpayers will sell credits that they will not be able to use in the allowable time. There is no basis to disagree with this estimate.

However, the bill authorizes the Legislature to appropriate an amount to the program, which could be an amount different than the amount estimated by the department. The amount appropriated results in a General Fund expenditure each fiscal year.

Based on the department’s assumption that taxpayers using the program will only sell credits they otherwise would not have been able to use, the program does not result in any savings in tax expenditures under the Nebraska Advantage Act, or gain in General Fund revenue. If, however, some credits that would have been used were offered for sale under the program, expenditures would increase, but there would also be a corresponding gain in General Fund revenue due to the credit not being used.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB: 1025	AM:	AGENCY/POLT. SUB: Department of Revenue	
REVIEWED BY: Lee Will	DATE: 02/17/2020	PHONE: (402) 471-4175	
COMMENTS: The Department of Revenue’s assumption of \$5 million loss to the General Fund annually, contingent upon appropriation, for the Tax Credit Buy-Back Program seems reasonable given the assumptions used.			

State Agency Estimate

State Agency Name: Department of Revenue

Date Due LFA:

Approved by: Tony Fulton

Date Prepared:

Phone: 471-5896

	FY 2020-2021		FY 2021-2022		FY 2022-2023	
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue
General Funds		See Below		See Below		See Below
Cash Funds						
Federal Funds						
Other Funds						
Total Funds		See Below		See Below		See Below

LB 1025 creates the Tax Credit Buy-Back Program. The program allows taxpayers to sell unused tax credits back to the State for 25 cents on the dollar.

A taxpayer is eligible for the program if it owns the tax credits and offers to sell at least \$50,000 of tax credits back to the state. To participate, the taxpayer must submit an application to the Department of Revenue (DOR). DOR will accept applications for any year in which the Legislature has appropriated money to the program. The total amount of tax credits purchased through the program in any year cannot exceed the amount appropriated to the program for that year. If the amount of credits requested to be purchased exceeds the appropriated amount, DOR will reduce the amount to be purchased from each taxpayer to assure that the appropriated amount is not exceeded.

DOR believes taxpayers will sell tax credits for 25 cents on the dollar only if they believe they cannot use the credits offered for buy-back in the allowable time. Based on the expired credits under the Employment and Investment Growth Act, the Department estimates that, on average, \$20 million of tax credits will be sold back to the State annually. Based on the assumption above, the estimated fiscal impact of the Tax Credit Buy-Back Program is, on average, \$5 million annually if fully funded through appropriation.

It is estimated that there will be minimal costs to DOR to implement this bill.

Major Objects of Expenditure

Class Code	Classification Title	20-21	21-22	22-23	20-21	21-22	22-23
		FTE	FTE	FTE	Expenditures	Expenditures	Expenditures
	Benefits.....						
	Operating Costs.....						
	Travel.....						
	Capital Outlay.....						
	Capital Improvements.....						
	Total.....						