

**FISCAL NOTE**  
 LEGISLATIVE FISCAL ANALYST ESTIMATE

<b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES</b> (See narrative for political subdivision estimates)				
	<b>FY 2023-24</b>		<b>FY 2024-25</b>	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$170,649	(\$29,049,000)		(\$45,430,000)
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
<b>TOTAL FUNDS</b>	<b>\$170,649</b>	<b>(\$29,049,000)</b>		<b>(\$45,430,000)</b>

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

LB 447 provides for a reduction to Federal Adjusted Gross Income (FAGI) or, for corporations and fiduciaries, federal taxable income starting in taxable year 2023 for the cost of expenditures for business assets that are qualified property or qualified improvement property and for research or experimental expenditures.

The Department of Revenue (DOR) estimates the following revenue reduction from this bill:

- FY 23-24: \$29,049,000
- FY 24-25: \$45,430,000
- FY 25-26: \$50,064,000
- FY 26-27: \$43,839,000

The DOR also estimates a one-time charge for programming to be paid to the Office of the Chief Information Officer (OCIO) of \$170,649 to add lines to forms and for mainframe development costs.

There is no basis to disagree with these estimates.

<b>ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY &amp; POLT. SUB. RESPONSE</b>		
LB: 492	AM:	AGENCY/POLT. SUB: Department of Revenue
REVIEWED BY: Neil Sullivan	DATE: 2/3/2023	PHONE: (402) 471-4179
COMMENTS: The Department of Revenue assessment of fiscal impact from LB 492 appears reasonable.		

**State Agency Estimate**

State Agency Name: Department of Revenue		Date Due LFO:				
Approved by: Glen White		Phone: 471-5896				
Date Prepared: 02/03/2023						
<u>FY 2023-2024</u>		<u>FY 2024-2025</u>		<u>FY 2025-2026</u>		
<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>	
General Funds	\$170,649	(\$29,049,000)		(\$45,430,000)		(\$50,064,000)
Cash Funds						
Federal Funds						
Other Funds						
<b>Total Funds</b>	<b>\$170,649</b>	<b>(\$29,049,000)</b>		<b>(\$45,430,000)</b>		<b>(\$50,064,000)</b>

LB 492 creates two deductions. Taxpayers may reduce federal adjusted gross income (AGI) or, for corporations and fiduciaries, federal taxable income by the following amounts:

- Cost of expenditures for business assets that are qualified property and qualified improvement property covered under IRC § 168 become eligible for full expensing and may be deducted as an expense incurred by the taxpayer during the taxable year in which the property is placed in service notwithstanding any changes to federal law related to the depreciation of property beginning January 1, 2023, or any other date. This is allowed to the extent that the cost has not already been deducted when determining federal AGI or federal taxable income. If not fully expensed in the taxable year in which the property is placed in service, the costs may be depreciated over a five-year irrevocable term.
- Research or experimental expenditures which are paid or incurred by the taxpayer during the taxable year in connection with the taxpayer’s trade or business as expenses which are not chargeable to the capital account. Expenditures so treated will be allowed as a deduction, notwithstanding changes to the IRC on the amortization of such expenditures. If not fully deducted, the research or experimental expenditures in the taxable year in which the expenditures are paid or incurred, the taxpayer may elect to amortize the expenditures over a five-year irrevocable term.

If either deduction is taken by an S-corporation, partnership, limited liability company, estate, or trust, the deduction may be claimed by the shareholders, partners, members, or beneficiaries in the same manner as those shareholders, partners, members, or beneficiaries account for their proportionate shares of the income or losses of the corporation, partnership, limited liability company, estate, or trust.

**Major Objects of Expenditure**

<u>Class Code</u>	<u>Classification Title</u>	<u>23-24 FTE</u>	<u>24-25 FTE</u>	<u>25-26 FTE</u>	<u>23-24 Expenditures</u>	<u>24-25 Expenditures</u>	<u>25-26 Expenditures</u>
	Benefits.....						
	Operating Costs.....				\$170,649		
	Travel.....						
	Capital Outlay.....						
	Capital Improvements.....						
	<b>Total.....</b>				<b>\$170,649</b>		

The Department of Revenue (DOR) estimates the following reduction in General Fund revenue:

FY 2023-24	\$	29,049,000
FY 2024-25	\$	45,430,000
FY 2025-26	\$	50,064,000
FY 2026-27	\$	43,839,000

LB 492 will require a one-time programming charge of \$170,649 paid to the OCIO for adding lines to Schedule I, NebFile, 1120N, K1N, and 1041N as well as mainframe development costs.

LB 492 becomes operative for tax years beginning on or after January 1, 2023.