

**FISCAL NOTE**  
 LEGISLATIVE FISCAL ANALYST ESTIMATE

<b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)</b>				
	<b>FY 2023-24</b>		<b>FY 2024-25</b>	
	<b>EXPENDITURES</b>	<b>REVENUE</b>	<b>EXPENDITURES</b>	<b>REVENUE</b>
GENERAL FUNDS		(\$10,604,000)		(\$11,134,000)
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
<b>TOTAL FUNDS</b>		(\$10,604,000)		(\$11,134,000)

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

LB 116 amends the Beginning Farmer Tax Credit Act. Under LB 116, farm is redefined to mean any improved or unimproved tract of land used for or devoted to the commercial production of farm products, and the 10-acre minimum requirement is removed.

Under LB 116, the three individuals currently engaged in farming or livestock production who must be members of the Beginning Farm Board (Board) are no longer required to be from each congressional district.

Additionally, the maximum net worth for a beginning farmer or livestock producer to qualify for the credit is increased from \$200,000 to \$1,000,000 and the bill adds that the farmer or livestock producer is to be of legal age to enter into and be legally responsible for a binding contract or lease as provided under Neb. Rev. Stat. § 43-2101 in order to qualify. For purposes of determining net worth, LB 116 excludes any pension, retirement, or any other deferred benefit accounts. The net worth thresholds would be adjusted annually starting October 1, 2023.

The bill makes changes so that qualified beginning farmers or livestock producers that are allowed a one-time refundable income tax credit up to \$500 for the cost of participation in the financial management program are not limited to just being qualified beginning farmers or livestock producers in the first, second, or third year of a qualifying three-year rental agreement.

The review of the existing three-year rental agreements by the Board would also be changed to be on an annual basis instead of on a semiannual basis.

The Department of Revenue estimates the following impact on General Fund revenues:

- FY 23-24: (\$10,604,000)
- FY 24-25: (\$11,134,000)
- FY 25-26: (\$11,690,000)

The Department of Revenue estimates minimal costs to implement LB 116.

There is no basis to disagree with these estimates.

Political subdivisions are likely to see a revenue loss in property taxes as a result of this bill. The Beginning Farmer Tax Credit Act provides for an exemption on tangible personal property tax up to \$100,000 each year for a qualified beginning farmer or livestock producer on his or her agricultural and horticultural machinery and equipment. By increasing the net worth requirement for a beginning farmer or livestock producer to \$1,000,000 this should increase the beginning farmers and livestock producers eligible for and utilizing this tax exemption resulting in more property tax exemptions. The fiscal impact would vary by political subdivision.

<b>ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY &amp; POLT. SUB. RESPONSE</b>		
LB: 116	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 116 appears reasonable.		



Using data from the United States Department of Agriculture to determine the number of newly eligible farms resulting from the change in eligibility requirements proposed in LB 116, Department of Revenue (DOR) estimates the total reduction to the General Fund revenues as follows:

FY 2023-24	\$	10,604,000
FY 2024-25	\$	11,134,000
FY 2025-26	\$	11,690,000

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