

**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	\$753,100		\$429,000	(\$190,000,000)
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
<b>TOTAL FUNDS</b>	<b>\$753,100</b>		<b>\$429,000</b>	<b>(\$190,000,000)</b>

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

LB 211 seeks to establish the Property Tax Circuit Breaker Act (Act). The Act would provide a refundable tax credit to qualifying agricultural taxpayers (QATP) and qualifying residential taxpayers (QRTP). QATP is defined as an individual who owns agricultural land and horticultural land that is located in this state and that has been used as part of a farming operation which has federal adjusted gross income (FAGI) of less than \$350,000 in the most recently completed taxable year. QRTP is defined as an individual who owns or rents his or her principal residence in this state and who has FAGI of less than \$100,000 for a married filing jointly taxpayer or \$50,000 for any other taxpayer.

A QATP could apply to the Department of Revenue (DOR) for the tax credit from January 1 to April 15 of 2024 and 2025. A QATP would receive a tax credit in an amount equal to the amount of property taxes paid on the agricultural land and horticultural land during the most recently completed taxable year minus 7% of the QATP's FAGI generated by the QATP's farming operation for the most recently completed taxable year. The credit amount would not be less than zero. The DOR would issue the QATP a certification stating the amount of such credit no later than December 31 of the year of application. The DOR could certify QATP tax credits of up to \$74 million for each of the years 2024 and 2025. If the total amount of tax credits calculated for all applications received in any such year exceeds \$74 million, the DOR would certify tax credits in proportionate percentages based upon the ratio of the amount of tax credits requested in each application to the total amount of tax credits requested in all applications so that the limitation is not exceeded. The QATP would claim the tax credit by filing a form developed by the Tax Commissioner and attaching the tax credit certification issued by the DOR. Only one QATP credit could be claimed per parcel of agricultural land and horticultural land.

A QRTP could apply to the Department of Revenue (DOR) for the tax credit from January 1 to April 15 of 2024 and 2025. A QRTP, who paid property taxes on his or her principal residence for the most recently completed taxable year, would receive a tax credit if the QRTP resided at the property described in the QRTP's application for at least 6 months of the most recently completed taxable year. The DOR would issue the QRTP a certification stating the amount of such credit no later than December 31 of the year of application. The credit would be equal to the amount by which the total amount of such property taxes paid on the principal residence exceeds the sum of the amounts calculated in the table below. The amount of the property taxes paid on a QRTP's principal residence shall not exceed the amount of taxes paid on a residence with a taxable value equal to 200% of the average assessed value of single-family residential property in the taxpayer's county of residence in the most recently completed taxable year as determined under section 77-3506.02. For a QRTP who paid rent for the right to occupy his or her principal residence for the most recently completed taxable year, the QRTP would be eligible for a credit equal to the amount by which 20% of the total amount of rent paid exceeds the sum of the amounts calculated in the table below.

<b>% of FAGI</b>	<b>Credit Not to Exceed</b>	<b>Married Filing Jointly</b>	<b>All Other Taxpayers</b>
<b>1%</b>	\$1,200	\$0 - \$14,000	\$0 - \$7,000
<b>2%</b>	\$900	\$14,001 - \$30,000	\$7,001 - \$15,000
<b>3%</b>	\$600	\$30,001 - \$50,000	\$15,001 - \$25,000
<b>4%</b>	\$300	\$50,001 - \$75,000	\$25,001 - \$37,500
<b>5%</b>	\$300	\$75,001 - \$100,000	\$37,501 - \$50,000

The DOR could certify QRTP tax credits of up to \$126 million for each of the years 2024 and 2025. If the total amount of tax credits calculated for all applications received in any such year exceeds \$126 million, the DOR would certify tax credits in proportionate

percentages based upon the ratio of the amount of tax credits requested in each application to the total amount of tax credits requested in all applications so that the limitation is not exceeded. The QRTP would claim the tax credit by filing a form developed by the Tax Commissioner and attaching the tax credit certification issued by the DOR. Any QRTP who rents property that is owned by a tax-exempt charitable organization or that is exempt in any way from property taxation would not be eligible to receive the QRTP tax credit. Only one QRTP credit could be claimed per residence.

This Act would become operative on January 1, 2024.

The DOR estimates that the credit for both QATP's and QRTP's will exceed the set limits and the estimated reduction to General Fund revenues would be as follows:

	Agricultural Property Tax Credit	Residential Property Tax Credit	Total
FY23-24	\$ -	\$ -	\$ -
FY24-25	\$ 70,300,000	\$ 119,700,000	\$ 190,000,000
FY25-26	\$ 74,000,000	\$ 126,000,000	\$ 200,000,000
FY26-27	\$ 3,700,000	\$ 6,300,000	\$ 10,000,000

Additionally, the DOR estimates a need for a one-time programming charge of \$242,000 to be paid to the Office of the Chief Information Officer (OCIO) and \$20,000 to be paid in subsequent years for maintenance. The DOR also estimates a need for personnel starting in FY23-24 as a result of this bill.

There is no basis to disagree with these estimates.

**State Agency Estimate**

State Agency Name: Department of Revenue		Date Due LFO:				
Approved by: Glen White		Date Prepared: 03/10/2023				
		Phone: 471-5896				
	<b>FY 2023-2024</b>		<b>FY 2024-2025</b>		<b>FY 2025-2026</b>	
	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>
General Funds	\$753,100	\$ 0	\$429,000	\$ (190,000,000)	\$439,200	\$ (200,000,000)
Cash Funds						
Federal Funds						
Other Funds						
<b>Total Funds</b>	<b>\$753,100</b>	<b>\$ 0</b>	<b>\$429,000</b>	<b>\$ (190,000,000)</b>	<b>\$439,200</b>	<b>\$ (200,000,000)</b>

LB 211 creates the Property Tax Circuit Breaker Act (Act). This Act provides refundable income tax credits to qualifying agricultural taxpayers (QATP) and qualifying residential taxpayers (QRTP). A QATP and QRTP may apply to the Department of Revenue (DOR) for the refundable income tax credit from January 1 to April 15 of 2024 and 2025. For each of the years 2024 and 2025, this Act imposes a tax credit cap of up to \$74,000,000 for the QATP credit and \$126,000,000 for the QRTP credit. In the case of both credits, if the total amount of credit applied for exceeds the tax credit cap, DOR must certify the credit in a proportionate percentage based on the ratio of the amount of credit requested in each application to the total amount of credit requested in all applications so as not to exceed the cap. If DOR finds the QATP or QRTP qualifies, the taxpayer may claim the credit by filing a form, developed by the Tax Commissioner, and a credit certification issued by DOR with the next income tax return after receiving the certification.

A QATP means an individual who owns Nebraska agricultural land and horticultural land (land), as defined in Neb. Rev. Stat. § 77-1359, which has been used as part of a farming operation with federal adjusted gross income (AGI) of less than \$350,000.00 in the most recently completed taxable year. The DOR application form for the QATP refundable credit must include the land address and, for the most recently completed taxable year, the amount of property taxes paid by the QATP on the land and the federal AGI generated by the QATP’s farming operation. If the QATP qualifies for the credit, then DOR must grant the tax credit in an amount equal to the amount of property taxes paid on the land during the most recently completed taxable year minus 7% of the federal AGI reported by the QATP on the application form. DOR must issue a certification stating the amount of the credit granted no later than December 31 of the year of application. The credit amount cannot be less than zero. Only one QATP credit may be claimed per parcel of land.

A QRTP means an individual who owns or rents their principal residence in Nebraska and has federal AGI of less than \$100,000.00 for a married filing jointly taxpayer or \$50,000.00 for any other taxpayer. The DOR application form for the QRTP credit must include the address of the QRTP’s principal residence in Nebraska and, for the most recently completed taxable year, the following: the amount of property taxes paid on the principal residence by the QRTP home owner, or the amount of rent paid on the principal residence by the QRTP renter; the federal

**Major Objects of Expenditure**

Class Code	Classification Title	23-24	24-25	25-26	23-24	24-25	25-26
		FTE	FTE	FTE	Expenditures	Expenditures	Expenditures
R29112	Revenue Operations Clerk II	1	2	2	\$37,000	\$77,700	\$79,700
K01011	Office Technician	1.5	3	3	\$44,800	\$94,000	\$96,300
A29621	Revenue Tax Specialist	1	1	1	\$60,800	\$63,900	\$65,500
A07012	Information Technology Applications Developer/Senior	1	0.5	0.5	\$78,500	\$41,200	\$42,200
A07081	Information Technology Business Systems Analyst	1	0.5	0.5	\$58,400	\$30,700	\$31,500
A07052	Information Technology Data/Database Analyst/Senior	0.5			\$78,500		
Benefits.....					\$118,100	\$101,500	\$104,000
Operating Costs.....					\$242,000	\$20,000	\$20,000
Travel.....							
Capital Outlay.....					\$35,000		
Capital Improvements.....							
<b>Total.....</b>					<b>\$753,100</b>	<b>\$429,000</b>	<b>\$439,200</b>

AGI of the QRTP; for a QRTP home owner, the assessed value of the principal residence used for determining property taxes paid. If the QRTP resided at the principal residence for at least six months of the most recently completed taxable year, DOR must grant the tax credit, as calculated below, and issue a certification no later than December 31 of the year of application. QRTP renters who rent property owned by a tax-exempt charitable organization or that is exempt for any reason from property tax is not eligible for the QRTP credit. Only one QRTP credit may be claimed per residence.

The QRTP that paid property taxes on the principal residence is eligible for a credit equal to the amount by which the total amount of property taxes paid exceeds the sum of the calculation below. The amount of property taxes paid on a qualifying QRTP’s principal residence must not exceed the amount of taxes paid on a residence with a taxable value equal to 200% of the average assessed value of single-family residential property in the QRTP county of residence as determined under Neb. Rev. Stat. § 77-3506.02. The calculation must be determined using the following table:

Percent of Taxpayer Federal AGI	Federal AGI for Married Filing Jointly	Federal AGI for All Other Taxpayers
1%	\$0 - 14,000	\$0 - 7,000
2%	\$14,001 - 30,000	\$7,001 - 15,000
3%	\$30,001 - 50,000	\$15,001 - 25,000
4%	\$50,001 - 75,000	\$25,001 - 37,500
5%	\$75,001 - 100,000	\$37,501 - 50,000

The credit for qualifying residential taxpayers who rent their primary residence must be equal to the amount by which 20% of the total amount of rent paid exceeds the sum of the amount calculated in table above.

The credit calculations for the homeowner and renter cannot exceed the applicable amount below:

Credit Cap	Federal AGI for Married Filing Jointly	Federal AGI for All Other Taxpayers
\$1,200	\$0 - 14,000	\$0 - 7,000
\$900	\$14,001 - 30,000	\$7,001 - 15,000
\$600	\$30,001 - 50,000	\$15,001 - 25,000
\$300	\$50,001 - 100,000	\$25,001 - 50,000

The DOR estimates that the credit for both agricultural and residential taxpayers will exceed the cap amount. The estimated reduction to the General Fund revenue would be as follow:

	Agricultural Property Tax Credit	Residential Property Tax Credit	Total
FY23-24	\$ -	\$ -	\$ -
FY24-25	\$ 70,300,000	\$ 119,700,000	\$ 190,000,000
FY25-26	\$ 74,000,000	\$ 126,000,000	\$ 200,000,000
FY26-27	\$ 3,700,000	\$ 6,300,000	\$ 10,000,000

LB 211 will require a one-time programming charge of \$242,000 paid to the OCIO for the following: adding a line to Schedule I, adding lines to NebFile for Individuals, a pre-posting check to verify credits against property

tax data collected from the counties, developing a new schedule, an inquiry/edit process for this data, and web development costs to collect tax receipt data from the counties. For subsequent years, DOR will need \$20,000 for paid to the OCIO for maintenance cost.

DOR will also need one IT Applications Developer Senior, one IT Business Systems Analyst, one Revenue Tax Specialist and 0.5 IT Database Analyst Senior in the FY 2022-23. In FY 2023-24 and FY2024-25, DOR will need 0.5 IT Applications Developer Senior and 0.5 IT Business Systems Analyst.

Starting in January 2024 DOR will need three Office Technicians and Revenue Operations Clerk IIs to implement the bill.

LB 211, if passed, will become effective on January 1, 2024.