

FISCAL NOTE
 LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2024-25		FY 2025-26	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$98,787	(\$51,897,500)	\$28,700	(\$125,852,000)
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$98,787	(\$51,897,500)	\$28,700	(\$125,852,000)

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

LB 1394 would establish the Child Tax Credit Act (Act). Under the Act, starting in taxable year 2025, a taxpayer with a qualifying child would be eligible for a refundable income tax credit.

Under the Act, a qualifying child means an individual who:

- Is 6 years of age or younger at the end of the taxable year;
- Is claimed as a dependent on the taxpayer’s federal income tax return; and
- Has been issued either a social security number or an individual taxpayer identification number.

The refundable tax credits would be in the following amounts:

- For married filing jointly taxpayers: \$1,000 per qualifying child, except the credit is reduced, but not below zero, by 5% for each \$2,000, or fraction thereof, by which Federal Adjusted Gross Income (FAGI) exceeds \$110,000.
- For head of household taxpayers: \$1,000 per qualifying child, except the credit is reduced, but not below zero, by 5% for each \$1,500, or fraction thereof, by which FAGI exceeds \$92,500.
- For any other filing status: \$1,000 per qualifying child except the credit is reduced, but not below zero, by 5% for each \$1,000, or fraction thereof, by which FAGI exceeds \$75,000.

Starting in taxable year 2026, the Department of Revenue (DOR) is to make adjustments for inflation by the same percentage used to adjust individual income tax brackets for tax credit amounts, threshold amounts at which the tax credit amounts begin to be reduced, and increments at which the tax credit amounts are reduced.

The DOR would need to submit an annual report to the Legislature under the bill on the usage of the tax credits.

The bill would add that in bankruptcy and in the collection of a money judgment, the full amount of any tax credit refund received under the Act is to be exempt from attachment, garnishment, or other legal or equitable process and from all claims of creditors.

The DOR estimates the following decrease to General Fund revenues as a result of this bill:

- FY 24-25: (\$51,897,500)
- FY 25-26: (\$125,852,000)
- FY 26-27: (\$128,998,000)
- FY 27-28: (\$132,223,000)

The DOR estimates a one-time charge for programming to be paid to the Office of the Chief Information Officer (OCIO) of \$65,087 for mainframe and web development costs. Additionally, the DOR estimates a need for 0.5 FTE Revenue Agent for implementation of this bill.

There is no basis to disagree with these estimates. However, the DOR does not assume any salary or benefits increases for FY25-26 and FY26-27 for the additional personnel needed pursuant to this bill’s provisions. While the actual salary and health insurance increases for FY25-26 and thereafter are not yet determined, it is important to note that any additional personnel in FY24-25 will have ongoing rising costs associated with salary and health insurance increases, which are normally addressed in the biennial budget process for all bargaining and non-bargaining employees.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE

LB: 1324 AM: AGENCY/POLT. SUB: Department of Revenue

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COMMENTS: The Department of Revenue assessment of fiscal impact from LB 1324 appears reasonable.

