PREPARED BY:	John Wiemer
DATE PREPARED:	January 31, 2024
PHONE:	402-471-0051

LB 1400

Revision: 00

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	$90,567	($8,020,000)		($27,120,000)
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	$90,567	($8,020,000)		($27,120,000)

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

LB 1400 would establish the Relocation Incentive Act.

Under the bill, for taxable years beginning on or after January 1, 2025 an employer that pays relocation expenses for a qualifying employee would be eligible to receive a refundable income tax credit. The credit would be in an amount equal to 50% of the relocation expenses that were paid by the employer for a qualifying employee during the taxable year, not to exceed a maximum credit of $5,000 per qualifying employee. No credit would be granted unless the qualifying employee will receive an annual salary of at least $70,000 per year and not more than $250,000 per year. Credits claimed by the employer would be recaptured by the Department of Revenue (DOR) if the qualifying employee moves out of the state within two years after the credit is claimed. For taxable years beginning on or after January 1, 2026, the DOR would need to adjust the $70,000-$250,000 salary range by the same percentage used to adjust individual income tax brackets under section 77-2715.03(3).

Also, under the bill, for taxable years beginning on or after January 1, 2025, a qualifying employee would be eligible to make a one-time election within two calendar years of becoming a Nebraska resident to exclude all Nebraska-sourced wage income earned and received from an employer, to the extent included in federal adjusted gross income if the annual Nebraska-sourced wage income of the position accepted by the qualifying employee is at least $70,000 per year but not more than $250,000 per year and the qualifying employee was not a resident of the state in the year prior to the year in which residency is being claimed for purposes of qualifying for such exclusion. For any qualifying employee who would fail to maintain residency for two full calendar years following the calendar year in which the exclusion was taken, any reduction in tax as a result of such exclusion would be fully recaptured from the qualifying employee by the DOR. For taxable years beginning on or after January 1, 2026, the DOR would need to adjust the $70,000-$250,000 salary range by the same percentage used to adjust individual income tax brackets under section 77-2715.03(3).

The DOR could adopt and promulgate rules and regulations to carry out the Act.

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

- FY 24-25: ($8,020,000)
- FY 25-26: ($27,120,000)
- FY 26-27: ($42,680,000)
- FY 27-28: ($50,734,000)
- FY 28-29: ($51,693,000)
- FY 29-30: ($52,433,000)

The DOR estimates a need for a one-time programming charge of $90,567 for mainframe and web development costs as a result of this bill.

There is no basis to disagree with these estimates.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 1400 AM:	AGENCY/POLT. SUB: Department of Revenue	
REVIEWED BY: Neil Sullivan	DATE: 1/31/2024	PHONE: (402) 471-4179
COMMENTS: The Department of Revenue assessment of fiscal impact from LB 1400 appears reasonable.		

LB 1400 Fiscal Note 2024

State Agency Estimate

State Agency Name: Department of Revenue					Date Due LFO:	
Approved by: James R. Kamm		Date Prepared: 01/30/2024			Phone: 471-5896	
	FY 2024-2025		FY 2025-2026		FY 2026-2027	
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue
General Funds	$90,567	$(8,020,000)		$(27,120,000)		$(42,680,000)
Cash Funds						
Federal Funds						
Other Funds						
Total Funds	$90,567	$(8,020,000)		$(27,120,000)		$(42,680,000)

LB 1400 creates the Relocation Incentive Act. For taxable year beginning or deemed to begin on or after January 1, 2025, a qualifying employee who moves to the State of Nebraska for purposes of accepting a position of employment will be eligible to exclude Nebraska-source wage income from taxation. Employers hiring a qualified employee will be eligible for an income tax credit to reimburse part of the costs of relocation packages provided to the qualified employee. A qualified employee is a taxpayer who relocates to Nebraska and is paid an annual salary between $70,000 to $250,000.

The Act provides the following:

1) Qualified employee may exempt Nebraska-sourced wage income from taxation for the first partial year resident tax return or second full year resident tax return. The taxpayer may elect the exemption to apply on the first-year resident tax return or the second-year resident tax return. The employee must not have been a resident of Nebraska in the year prior to the relocation.
2) Provide up to 50% of the relocation cost to employers for relocation packages up to $10,000 (Reimbursement amount max at $5,000 per employee) to qualified employees relocation from out of state. Employers claim this credit on the Nebraska income tax return as a refundable income tax credit.
3) To qualify for income tax exemption and the employer income tax credit, the new employee must relocate to Nebraska and be paid an annual salary between $70,000 to $250,000.
4) Threshold salary will be indexed for inflation. For taxable years beginning or deemed to begin on or after January 1, 2026, the Tax Commissioner must adjust the threshold on the percentage change in the Consumer Price Index for All Urban Consumers published by the federal Bureau of Labor Statistics from the 12months ending on August 31, 2024, to the 12months ending on August 31 of the year preceding the taxable year.
5) The qualified employee must remain a resident for two full calendar years following the year in which the credit is earned, or the exemption is claimed. The employee income tax exemption and employer income tax credit are subject to recapture if the employee does not remain a Nebraska resident for the two calendar years following the calendar year the exclusion was taken or credit was claimed.
6) Credit can only be earned and used once by any taxpayer.

Major Objects of Expenditure

Class Code	Classification Title	24-25 FTE	25-26 FTE	26-27 FTE	24-25 Expenditures	25-26 Expenditures	26-27 Expenditures
Benefits							
Operating Costs					$90,567		
Travel							
Capital Outlay							
Capital Improvements							
Total					$90,567		

It is estimated that LB 1400 will have the following fiscal impact to the General Fund revenues:

Fiscal Year	General Fund revenues
FY24-25	$ (8,020,000)
FY25-26	$ (27,120,000)
FY26-27	$ (42,680,000)
FY27-28	$ (50,734,000)
FY28-29	$ (51,693,000)
FY29-30	$ (52,433,000)

LB 1394 will require a one-time programing charge of $90,567 for mainframe and web development cost to add a line to the 1040N Schedule I and K-1N.