LB 157

Revision: 00 FISCAL NOTE LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)						
	FY 202	5-26	FY 20	26-27		
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE		
GENERAL FUNDS	\$101,058	(\$50,066,000)	\$29,500	(\$121,411,000)		
CASH FUNDS						
FEDERAL FUNDS						
OTHER FUNDS						
TOTAL FUNDS	\$101,058	(\$50,066,000)	\$29,500	(\$121,411,000)		

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

LB 157 establishes the Child Tax Credit Act (Act). Under the Act, starting in taxable year 2026, any taxpayer with a qualifying child shall be eligible to receive 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 shall be in an amount calculated as follows:

- 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 federal AGI 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 federal AGI 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 federal AGI exceeds \$75,000.

Starting in taxable year 2027, the Department of Revenue (DOR) shall make adjustments for inflation by the same percentage used to adjust individual income tax brackets.

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

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

The bill provides that in bankruptcy and in the collection of a money judgment, the full amount of any tax credit refund received under the Act shall 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:

- FY26: (\$50,066,000)
- FY27: (\$121,411,000)
- FY28: (\$124,446,000)
- FY29: (\$127,557,000)

The DOR estimates a one-time charge to be paid to the Office of the Chief Information Officer (OCIO) of \$66,558 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.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE					
LB: 157 AM: AGENCY/POLT. SUB: Department of Revenue			rtment of Revenue		
REVIEWED BY: Ryan Yang		DATE: 3/17/2025	PHONE: (402) 471-4178		
COMMENTS: Concur with the Department of Revenue assessment of fiscal impact from LB 157.					

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Fiscal Note 2025

State Agency Estimate						
State Agency Name: Department of	Date Due LFO:					
Approved by: James R. Kamm		Date Prepared:	03/14/2025		Phone: 471-5896	
FY 2025		25-2026	FY 2026-2027		<u>FY 2027-2028</u>	
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue
General Funds	\$101,058	\$ (50,066,000)	\$29,500	\$ (121,411,000)	\$29,500	\$ (124,446,000)
Cash Funds						
Federal Funds						
Other Funds						
Total Funds	\$101,058	\$ (50,066,000)	\$29,500	\$ (121,411,000)	\$29,500	\$ (124,446,000)

LB 157 adopts the Child Tax Credit Act (Act). For taxable years beginning on or after January 1, 2026, any individual taxpayer with a qualifying child is eligible to receive a refundable income tax credit of \$1,000 per qualifying child that is subject to a reduction as follows:

- For Married Filing Jointly credit amount is reduced by 5% for each \$2,000, or fraction thereof, but not below zero by which federal adjusted gross income (AGI) exceeds \$110,000.
- For Head of Household credit amount is reduced by 5% for each \$1,500, or fraction thereof, but not below zero by which federal AGI exceeds \$92,500.
- For any other filing status credit amount is reduced by 5% for each \$1,000, or fraction thereof, but not below zero by which federal AGI exceeds \$75,000.

Qualifying child means an individual who is (a) six years of age or younger at the end of the taxable year; (b) is claimed as a dependent on the taxpayer's federal income tax return; and (c) has been issued a social security number or an individual taxpayer identification number. The refundable credit is allowed to all individuals subject to the income tax imposed by the Nebraska Revenue Act of 1967.

For taxable year beginning on or after January 1, 2027, the Department of Revenue (DOR) must adjust for inflation the tax credit amounts, the thresholds at which the tax credits being to be reduced, and the increments at which the credits are reduced by the same percentage used to adjust the individual income tax brackets under Neb. Rev. Stat. § 77-2715.03.

Beginning in 2027, DOR must submit an annual report to the Legislature on the credit usage under the Act by no later than July 15 of each year.

LB 157 amends Neb. Rev. Stat. § 25-1553 to exempt the full credit refund received under the Act from attachment, garnishment, or other legal or equitable process and from all claims of creditors in bankruptcy and in the collection of a money judgment.

Major Objects of Expenditure							
Class Code	Classification Title	25-26 <u>FTE</u>	26-27 <u>FTE</u>	27-28 <u>FTE</u>	25-26 <u>Expenditures</u>	26-27 <u>Expenditures</u>	27-28 <u>Expenditures</u>
X29222	Revenue Agent	0.5	0.5	0.5	\$22,200	\$22,200	\$22,200
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Benefits				\$7,300	\$7,300	\$7,300	
Operating Costs				\$66,558			
Capital Outlay				\$5,000			
	ents						
Total				\$101,058	\$29,500	\$29,500	

The estimated fiscal impact of LB 157 to the General Fund revenues would be as follows:

FY2025-26	\$ (50,066,000)
FY2026-27	\$ (121,411,000)
FY2027-28	\$ (124,446,000)
FY2028-29	\$ (127,557,000)

LB 157 would require a one-time programming charge of \$66,558 paid to the OCIO for mainframe and web development costs. DOR will also need to hire 0.5 FTE of Revenue Agent for implement of the Act.