

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)

	FY 2025-26		FY 2026-27	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$205,358	\$91,764,000	\$128,800	\$102,617,000
CASH FUNDS	(\$230,000,000)	(\$230,000,000)	(\$245,000,000)	(\$245,000,000)
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	(\$229,794,642)	(\$138,236,000)	(\$244,871,200)	(\$142,383,000)

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

LB 107 provides that for taxable years on or after January 1, 2025, a refundable credit against the income tax imposed by the Nebraska Revenue Act of 1967 shall be allowed to any individual who rents a house, apartment, or other residential unit in this state during the taxable year for use as such individual's primary residence. The credit shall be equal to the greater of 4% of the total amount of rent paid by the individual during the taxable year or \$200, but in no case shall the credit exceed \$1,000.

The bill also amends the Property Tax Credit Act. The bill amends section 77-4212 to provide that for tax year 2025 and each tax year thereafter, the amount of relief granted under the Act shall be \$200 million. If money is transferred or credited to the Property Tax Credit Cash Fund pursuant to any other state law, such amount shall be added to the \$200 million amount when determining the total amount of relief granted under the Act.

The Department of Revenue (DOR) estimates the following decrease to General Fund revenues as a result of the refundable credit under the bill:

- FY26: (\$138,236,000)
- FY27: (\$142,383,000)
- FY28: (\$146,654,000)
- FY29: (\$151,054,000)

There is no basis to disagree with these revenue estimates.

We estimate the following increase to General Fund revenues as a result of changes to the Property Tax Credit Act under the bill:

- FY26: \$230,000,000
- FY27: \$245,000,000
- FY28: \$260,000,000
- FY29: \$275,000,000

We estimate that there will be a reduction of to Property Tax Credit Cash Fund expenditures, along with corresponding increase to General Fund revenues and decrease to Property Tax Credit Cash Fund revenues as a result of the bill.

The DOR estimates the need for a one-time programming charge of \$66,558 to be paid to the Office of the Chief Information Officer (OCIO) and 2.0 FTE Fiscal Compliance Analysts as a result of the bill. There is no basis to disagree with these expenditure estimates.

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

LB: 107 AM: AGENCY/POLT. SUB: Department of Revenue

REVIEWED BY: Ryan Yang DATE: 3/12/2025 PHONE: (402) 471-4178

COMMENTS: Concur with the Department of Revenue assessment of fiscal impact from LB 107.

State Agency Estimate

State Agency Name: Department of Revenue					Date Due LFO:	
Approved by: James R. Kamm			Date Prepared: 03/11/2025		Phone: 471-5896	
	<u>FY 2025-2026</u>		<u>FY 2026-2027</u>		<u>FY 2027-2028</u>	
	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>
General Funds	(\$229,794,642)	(\$138,236,000)	(\$244,871,200)	(\$142,383,000)	(\$259,871,200)	(\$146,654,000)
Cash Funds						
Federal Funds						
Other Funds						
Total Funds	(\$229,794,642)	(\$138,236,000)	(\$244,871,200)	(\$142,383,000)	(\$259,871,200)	(\$146,654,000)

LB 107 establishes a new refundable credit for rent and changes the minimum tax credit available under the Property Tax Credit Act (Act).

For taxable years beginning on or after January 1, 2025, a new refundable tax credit is established for individuals renting a house, apartment, or other residential unit in Nebraska for use as their primary residence. The credit is 4% of the total of rent paid during the taxable year or \$200 but not to exceed \$1,000.

Beginning with 2025 tax year and each year after, LB 107 sets the credit of \$200 million for property tax credit. LB 107 amends the Act to accelerate the reduction of the tax credit available under the Act to \$200 million that was previously set to gradually reduced to \$200 million by the year 2030.

Previously minimum credits were set for tax year 2025 at \$430 million, 2026 \$445 million, 2027 \$460 million, 2028 \$475 million, and for 2029 minimum amount of relief granted under the act shall be the minimum amount from the prior tax year plus a percentage increase equal to the percentage increase, if any, in the total assessed value of all real property in the state from the prior year to the current year, as determined by the Department of Revenue, plus an additional seventy-five million dollars.

It is estimated that this bill will have the following impacts on the General Fund revenues and expenditures:

Fiscal Year	General Fund revenues	General Fund expenditures
FY 2025-26	(\$138,236,000)	(\$230,000,000)
FY 2026-27	(\$142,383,000)	(\$245,000,000)
FY 2027-28	(\$146,654,000)	(\$260,000,000)
FY 2028-29	(\$151,054,000)	(\$275,000,000)

Major Objects of Expenditure

<u>Class Code</u>	<u>Classification Title</u>	<u>25-26 FTE</u>	<u>26-27 FTE</u>	<u>27-28 FTE</u>	<u>25-26 Expenditures</u>	<u>26-27 Expenditures</u>	<u>27-28 Expenditures</u>
A21211	Fiscal Compliance Analyst	2.0	2.0	2.0	\$96,800	\$96,800	\$96,800
Benefits.....					\$32,000	\$32,000	\$32,000
Operating Costs.....					\$66,558		
Travel.....							
Capital Outlay.....					\$10,000		
Capital Improvements.....							
Total.....					\$205,358	\$128,800	\$128,800

LB 107 will require a one-time programming charge of \$66,558 paid to OCIO for mainframe development and adding the line to NebFile for Individuals. The Department of Revenue will also need two FTE at the Fiscal Compliance Analyst level to implement this bill.