PREPARED BY:	John Wiemer
DATE PREPARED:	March 12, 2025
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LB 151

Revision: 00

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	$157,265		$53,600	($388,000)
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	$157,265		$53,600	($388,000)

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

LB 151 establishes the First-time Homebuyer Savings Account Act.

The bill provides that there shall be subtracted from federal adjusted gross income (AGI) for taxable years beginning on or after January 1, 2026:

- The amount of contributions made by an account holder under the Act, during the taxable year to the account holder's first-time homebuyer savings account, not to exceed the following annual limit:
  - For married taxpayers who file a joint return and maintain a joint first-time homebuyer savings account, $4,000
  - For any other account holder, $2,000.
- Any income from interest received from the account holder's first-time homebuyer savings accounts to the extent such income is included in federal AGI.

For each year beginning on or after January 1, 2027, the above dollar amounts shall be adjusted by the percentage change in the Consumer Price Index for All Urban Consumers.

The above income tax adjustment shall not exceed the following aggregate lifetime limit:

- For married taxpayers who file a joint return and maintain a joint first-time homebuyer savings account, $40,000
- For any other account holder, $20,000

The Department of Revenue (DOR) shall adopt and promulgate rules and regulations to implement the Act.

The bill becomes operative on January 1, 2026.

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

- FY27: ($388,000)
- FY28: ($546,000)
- FY29: ($719,000)

The DOR also estimates a need for a one-time programming charge of $100,365 to be paid to the Office of the Chief Information Officer (OCIO) as well as a Revenue Operations Clerk II as a result of the bill.

There is no basis to disagree with these estimates.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 151 AM:	AGENCY/POLT. SUB: Department of Revenue	
REVIEWED BY: Ryan Yang	DATE: 3/11/2025	PHONE: (402) 471-4178
COMMENTS: The Department of Revenue assessment of fiscal impact from LB 151 appears reasonable.		

LB 0151 Fiscal Note 2025

State Agency Estimate

State Agency Name: Department of Revenue					Date Due LFO:	
Approved by: James R. Kamm		Date Prepared: 03/10/2025			Phone: 471-5896	
	FY 2025-2026		**FY 2026-2027**		**FY 2027-2028**	
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue
General Funds	$157,265	$ 0	$53,600	($388,000)	$53,600	($546,000)
Cash Funds						
Federal Funds						
Other Funds						
Total Funds	$157,265	$ 0	$53,600	($388,000)	$53,600	($546,000)

LB 151 adopts the First-Time Homebuyers Savings Account Act (Act). LB 151 allows for an individual income tax reduction to the federal adjusted gross income (AGI) starting January 1, 2026, for amount of "contributions" made by an account holder and any "income from interest" received for this Savings Account (Account). The Account must be established for the purpose of paying or reimbursing a designated beneficiary's eligible home costs in connection with a qualified home purchase. Eligible home costs include down payment to buy the home, a cost, a fee, a tax assigned to the beneficiary and any US veterans administration funding fees assigned to the beneficiary in connection with a veteran's administration home loan guaranty program. The purchase of a "single family residence" in NE by the account's designated beneficiary should be 90 or more days after the date the account holder first opened an account. The Act covers the purchase of manufactured home, mobile home, condominium unit, or cooperative.

A first-time homebuyer means a NE resident (individual) who does not own, either individually or jointly, a single family or multifamily residence, and who has not owned or purchased, either individually or jointly, a single-family or multifamily residence for a period of three years prior to both of the following:

1) The date on which the individual is named as a designated beneficiary of the Account; and
2) The date of the qualified home purchase for which the eligible home costs are paid or reimbursed from the Account.

For married taxpayers who file a joint return and maintain a joint first-time homebuyer savings account, there will be a four thousand dollars contribution annual limit and for any other account holder, two thousand dollars limit. The amounts are index for index for inflation based on the Consumer Price Index for All Urban Consumers adjustments.

Also, the amount withdrawn for purposes other than the payment or reimbursement of the home costs will be added to the federal AGI. The Department of Revenue (DOR) shall assess 10% penalty of the amount of the withdrawal (remitted to State Treasurer).

Major Objects of Expenditure

Class Code	Classification Title	25-26 FTE	26-27 FTE	27-28 FTE	25-26 Expenditures	26-27 Expenditures	27-28 Expenditures
S29112	Revenue Op Clerk II	1.0	1.0	1.0	$39,000	$40,300	$40,300
Benefits					$12,900	$13,300	$13,300
Operating Costs					$100,365		
Travel							
Capital Outlay					$5,000		
Capital Improvements							
Total					$157,265	$53,600	$53,600

The Act allows the same individual to hold several accounts and transfer amounts between different accounts, provided each account has a different designated beneficiary. The adjustment cannot exceed the "aggregate lifetime limit" defined as $40,000 for married joint returns/taxpayers who maintain a joint first-time homebuyer savings account and for any other account holder, $20,000.

Additionally, the DOR is required to develop an annual report for this account which includes the NE income tax return of the account holder, a copy of the IRS Form 1099 (other similar IRS income reporting form).

The Act states that financial institutions are not required to report any information to DOR (e.g., designate or label within the financial institution's account contracts, systems, or in any other manner, an account as a first-time homebuyer savings account; ascertain or verify the purpose of a withdrawal of funds from the account, or track the destination or use of the withdrawn funds; determine or ensure that an account satisfies the requirements to be a first-time homebuyers savings account; determine or ensure that funds withdrawn from the Account are used for the payment or reimbursement of a designated beneficiary's eligible home costs in connection with a qualified home purchase; document the change of any beneficiary to a first-time homebuyer savings account etc.).

The DOR must do the following:

1) The DOR should provide forms to be submitted on or before filing the individual income tax return, excluding extensions, applicable to the tax year in which the account is opened.
2) Create a form for designating an account as a first-time home buyer savings account and allow an individual to designate an interest-bearing savings account as a first-time homebuyer savings account established for the purpose of paying or reimbursing a designated beneficiary's eligible home costs in connection with a qualified home purchase.
3) Create a form for designating an individual as beneficiary of the account; the account holder may change the designated beneficiary of the account at any time and the account holder and designated beneficiary of the account may be the same individual.
4) Create an annual report for this Account which reports at minimum:
    a. Information regarding the eligible home costs to which any withdrawn funds were applied in connection with a qualified home purchase, and information regarding the amount of funds remaining, if any, in a first-time homebuyer savings account.
    b. A list of transactions occurring on the account during the taxable year, and identify any supporting documentation to be included with report or maintained by the taxpayer; and
    c. A transaction report stating withdrawal of funds.

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

	General Fund revenues
FY 25-26	
FY 26-27	($388,000)
FY 27-28	($546,000)
FY 28-29	($719,000)

LB 151 will require a one-time programming charge of $100,365 paid to OCIO for mainframe development, reconfiguring IIT Schedule and adding lines to NebFile for individuals. The DOR will also need one ROA II FTE to implement this bill.

The operative date of this bill is January 1, 2026.