

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *				
	FY 2009-10		FY 2010-11	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS		See below		See below
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS		See below		See below

*Does not include any impact on political subdivisions. See narrative for political subdivision estimates.

LB 164 would make a number of changes to Nebraska economic development tax incentive statutes including: the Agricultural Opportunities and Value-Added Partnerships Act, the Nebraska Advantage Rural Development Act, the Nebraska Advantage Act, the Nebraska Advantage Research and Development Act, the Nebraska Advantage Microenterprise Tax Credit Act, and the Building Entrepreneurial Communities Act.

Agricultural Opportunities and Value-Added Partnerships Act:

-Changes the termination date of the Act from January 1, 2011 to January 1, 2015.

Nebraska Advantage Rural Development Act:

-Changes language regarding number of agreement applications that can be approved each year by the Tax Commissioner from fiscal year basis to calendar year.

Nebraska Advantage Act:

- Adds language regarding "qualifying new employees", specifying that employees who work at a military installation on tasks interdependent with the work performed on the project are considered to be employed at the project.
- Adds the sale of tangible personal property as a new qualified business activity to Tier 2, 3, 4, and 5. To qualify at least 75% of sales or attributable revenue must be to consumers who are located outside Nebraska.
- Adds new language regarding the modification of existing project agreements.
- Removes the termination date for new Tier 1 and Tier 3 project applications.
- Adjusts the investment thresholds for Tier 1, 2, 3, and 5 by adding language to use the average Producer Price Index for the most recent twelve available periods. For Tier 6, similar new language is added except the first quarter of 2008 is used in the formula instead of the first quarter of 2006.
- Adds language that excludes compensation in excess of one million dollars paid to any one employee when determining tax liability under Section 77-2756 or 77-2757.
- Creates formula for determining recapture for projects that fail to maintain required levels of investment or employment.

Nebraska Advantage Research and Development Act:

- Adds new subsection to 77-5804 stating that interest shall not be allowed on any taxes refunded under the Act.
- Eliminates termination date for initial claim of credit under the Act.

Nebraska Advantage Microenterprise Tax Credit Act:

- Eliminates the termination date for approval of applications by the Department of Revenue.
- Adds new language stating that interest shall not be allowed on any taxes refunded under the Act.

Building Entrepreneurial Communities Act:

-Changes the termination date of the Act from January 1, 2011 to January 1, 2015.

In the upcoming biennium there is no fiscal impact to the General Fund.

Note:

Section 4 expands the definition of what constitutes a qualified business for Nebraska Advantage Act project eligibility. It would appear that expanding eligibility would result in increased costs; however, the Department of Revenue indicates no General Fund impact. Although there is no basis to disagree with the Department's estimate in the short term, it is likely that in the long term expanding eligibility would result in a General Fund impact.

IMPACT TO POLITICAL SUBDIVISIONS:

There does not appear to be any fiscal impact.