

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *				
	FY 2007-08		FY 2008-09	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	128,600	(214,860,000)	70,000	(209,190,000)
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	128,600	(214,860,000)	70,000	(209,190,000)

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

LB 453 provides a refundable credit to resident individual taxpayers for property taxes paid on their primary residence. The credit is equal to the amount of property taxes paid on the primary residence during the tax year, but cannot exceed \$500.

Based on the estimated number of owner occupied residences in the State and the number of individuals that would be able to claim the credit, the Department of Revenue estimates the revenue impact of LB 453 as follows:

<u>Fiscal Year</u>	<u>Revenue</u>
2007-08	(214,860,000)
2008-09	(209,190,000)
2009-10	(211,064,000)
2010-11	(212,945,000)

It should be noted that the estimated revenue impact above includes estimated increases in income tax due from itemized filers who must treat the credit as 'other income' in the following tax year. This amount is estimated at \$8,011,000, \$8,507,000, and \$9,026,000 for FY09 through FY11, respectively.

LB 453 requires that the Department of Revenue develop a form "which provides sufficient proof of ownership and taxes paid in the tax year." However, the bill does not define the taxpayer's "primary residence." This note assumes that in order to be eligible for the credit, the property taxes must be paid by the income taxpayer claiming the credit. This assumption implies that those taxpayers eligible for the Homestead Exemption program can claim the credit for property taxes actually paid by the taxpayer, meaning that those receiving a 100% exemption are not eligible for the income tax credit. There is not instruction for how to split the credit for taxpayers filing married/separate returns, or how to determine the credit for partial-year residents.

An estimation of implementation costs for LB 453 assumes that the Department of Revenue will have access to a database of all residential property, which would be used to validate the credit. Currently no database exists that could be used to tie property tax data to income tax data. However, the Department of Property Assessment and Taxation is working on a state-wide property tax database that could be modified to administer LB 453. This database could be available for tax year 2008 processing. For tax year 2007, the Department of Revenue would have to rely upon the counties to supply data in a usable format. Without this data, electronic filing of income taxes would be impractical. The costs include personnel expenses, one-time programming costs, and expenditures for mainframe and LAN/WAN systems.

Expense Items	FY08	FY09
Office Clerk III (0.67 FTE)	12,878	13,264
Revenue Agent (1.08 FTE)	31,632	32,586
Benefits	14,690	15,130
Operating Expenses	64,700	9,020
Capital Outlay	4,700	
Total	128,600	70,000

IMPACT ON POLITICAL SUBDIVISIONS: While there does not appear to be a revenue impact on political subdivisions, there could potentially be some costs associated with implementation. These costs are unknown at the current time.