PREPARED BY: Jeanne Glenn
DATE PREPARED: December 18, 2007
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LB 488

Revision: 01

FISCAL NOTE

Revised for the 2008 legislative session.

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *

	FY 2008-09		FY 2009-10	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	282,656	(See Below)	199,746	(See Below)
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	282,656	(See Below)	199,746	(See Below)

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

LB 488 would allow income tax credits for perpetual conservation easements upon real property in Nebraska, provided that the value of the easement is donated to the state or to a charitable organization that is accredited to hold land easements by the Land Trust Alliance. A taxpayer could claim an income tax credit equal to 50% of the donated portion of the conservation easement, but not exceeding $250,000. Unused credit could be carried forward for 15 years, and unused credit could also be transferred to another taxpayer.

Applications for credits would be submitted to the Department of Natural Resources. LB 488 sets criteria for applications to be approved, including that they be located in: 1) areas designated by the department and natural resources districts as quick response water shortage areas in over-appropriated basins and areas subject to interstate compacts, agreements and decrees; or 2) areas designated by the Game and Parks Commission as biologically unique landscapes. The perpetual easements would preclude pumping of ground water except for domestic purposes. Easements could permit the Department to allow pumping of water when there is not a water quality shortage. Easements would also prohibit new commercial, industrial and residential development, mining, logging or other uses that could result in the destruction of habitat, native plants, historic sites or other conservation values. All easements would be in perpetuity.

Beginning January 1, 2008, and each January 1 thereafter, the Department of Revenue would be required to submit a report to the Legislature and the Governor detailing the use of income tax credits under the program. The Department of Natural Resources and the Game and Parks Commission would assist with report preparation. For the purpose of this fiscal note revision, it is assumed that the effective date of this legislation would be revised to January 1, 2009.

There would be expenses to the Department of Natural Resources to administer the conservation easement tax credit program. Expenses would include staff time to develop and administer the application process, to review and make determinations regarding applications, to coordinate with various agencies as needed, to conduct ongoing compliance monitoring, and to assist in the preparation of an annual report. The Department of Natural Resources estimates that it would utilize 3.25 FTE staff to administer the program at a total cost of $195,946 General Funds in FY08-09 and $195,946 General Funds in FY09-10.

The agency notes that approximately $20,000 in revenue may be received as a result of a $10 fee that may be charged by the Department under Section 33-105 (8) for filing any petition, affidavit other paper, or application for which no fee has been fixed. Any fee revenue would be deposited in the General Fund.

Expenses to the Department of Revenue will largely be one-time expenses to complete programming changes to the existing data system in order to track tax credits and to modify income tax forms. Subsequent year expenses would include costs to process and audit credits claimed under that program and to prepare an annual report. It is estimated that costs would total $86,710 General Funds in FY08-09 and $3,800 General Funds in FY09-10.

The Game and Parks Commission estimates that it could carry the functions of LB 488 within its existing budget.

The amount of General Fund revenue loss will depend upon the number of conservation easement tax credits that are approved by the Department of Natural Resources and the actual value of the easements. Because the total amount of tax credits that may be claimed under this program is not capped, the revenue impact will largely depend upon participation levels. The Department of Revenue has estimated that upwards of $5,000,000 in credits could be claimed annually.

LB 488(01) FISCAL NOTE
DAS COMMENTS
12/20/07

DEPARTMENT OF ADMINISTRATIVE SERVICES

REVIEWED BY	Lyn Heaton	DATE 12/21/07	PHONE 471-2526

COMMENTS

DEPT OF NATURAL RESOURCES – The agency analysis appears reasonable.

GAME AND PARKS COMMISSION – Concur. No fiscal impact.

CENTRAL PLATTE NRD – No basis upon which to disagree.