PREPARED BY: DATE PREPARED: PHONE: Clinton Verner February 20, 2024 402-471-0056

LB 1043

Revision: 00

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

| ESTIMATE OF | F FISCAL IMPACT - ST | ATE AGENCIES (See | narrative for political subdiv | rision estimates) | |
|---------------|----------------------|-------------------|--------------------------------|-------------------|--|
| | FY 2024-25 | | FY 2025-26 | | |
| | EXPENDITURES | REVENUE | EXPENDITURES | REVENUE | |
| GENERAL FUNDS | | | | | |
| CASH FUNDS | | | | | |
| FEDERAL FUNDS | | | | | |
| OTHER FUNDS | | | | | |
| TOTAL FUNDS | | | | | |

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

LB1043 does the following:

- Creates definitions;
- Requires a nonprofit economic development corporation that owns or acquires underutilized tax-exempt property located within a high poverty area to develop such property within two years of the effective date of LB1043 or within two years of acquiring the property;
- Places requirements on such development;
- Requires the economic development corporation to develop and submit a plan to the Clerk of the Legislature and the Chairperson of the Urban Affairs Committee of the Legislature;
- Creates a fine of \$500,000 for a failure to develop property within two years;
- Creates a fine of \$1,000,000 for failure to develop property within three years;
- Revokes the tax exemption should there be a failure to develop property within four years;
- Creates a price cap on selling tax-exempt property;
- Fines collected pursuant to LB1043 are to be remitted to the State Treasurer and distributed in accordance to Article VII, Sec. 5, of the Constitution of Nebraska.

LB1043 may affect the use of tax increment financing (TIF) which in an equalized school district could affect state aid requirements. However, the timing and amounts of any impact related to TIF are unknowable. No fiscal impact to the state of Nebraska.

LB 1043 Fiscal Note 2024

| | | State Agency | Estimate | | | |
|----------------------------------|---------------------|----------------|---------------------|---------|---------------------|---------|
| State Agency Name: Department of | of Revenue | | | | Date Due LFO: | |
| Approved by: James R. Kamm | | Date Prepared: | 02/23/2024 | | Phone: 471-5896 | |
| | FY 2024-2025 | | FY 2025-2026 | | FY 2026-2027 | |
| | Expenditures | Revenue | Expenditures | Revenue | <u>Expenditures</u> | Revenue |
| General Funds | | \$ 0 | | \$ 0 | | \$ 0 |
| Cash Funds | | | | | | |
| Federal Funds | | | | | | |
| Other Funds | | | | | | |
| Total Funds | | \$ 0 | | \$ 0 | | \$ 0 |

LB1043 creates a requirement for nonprofit economic development corporations that own or acquire underutilized tax-exempt properties within high-poverty areas to develop such property within two years after the effective date of the bill. The nonprofit economic development corporation must electronically submit a development plan for the underutilized tax-exempt property to the Department of Economic Development (DED), the Clerk of the Legislature, and the chairperson of the Urban Affairs Committee of the Legislature within 90 days of the effective date of the bill.

The nonprofit development corporation must:

- 1) Increase the market value of the property by at least 25% and
- 2) create new jobs or business on the property.

Failure to comply with LB1043 will result in the following actions:

- 1) Fine of \$500 thousand for any nonprofit economic development corporation who does not develop the underutilized tax-exempt property within the two-year period;
- 2) Fine of \$1 million for any nonprofit economic development corporation who does not develop the underutilized tax-exempt property within 12 months after the end of the two-year period; and
- 3) Revocation of the property tax exemption for any underutilized tax-exempt property not developed within 24 months after the end of the two-year period.

The DED is responsible for tracking the development of these properties, imposing the fines, and adopting and promulgating any necessary rules or regulations.

It is estimated that this bill will have no impact on General Fund revenues.

It is estimated that there will be no cost to the Department of Revenue to implement this bill.

| | Major | r Objects of E | Expendit | ure | | | |
|-----------------|----------------------|-----------------------|---------------------|---------------------|-----------------------|-----------------------|-----------------------|
| Class Code | Classification Title | 24-25 <u>FTE</u> | 25-26 <u>FTE</u> | 26-27 <u>FTE</u> | 24-25 Expenditures | 25-26 Expenditures | 26-27 Expenditures |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| Benefits | | | | | | | |
| Operating Costs | | | | | | | |
| | | | | | | | |
| Capital Outlay | | | | | | | |
| | | | | | | | |
| Total | | | | | | | |