

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2024-25		FY 2025-26	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$709,404		\$419,171	(\$154,685,000)
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$709,404		\$419,171	(\$154,685,000)

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

LB 1367 would establish the Property Tax Circuit Breaker Act.

For taxable years beginning on or after January 1, 2025, a qualifying taxpayer would be eligible to receive a refundable income tax credit if the total amount of property taxes paid by the taxpayer on his or her principal residence during the taxable year would exceed the taxpayer’s threshold amount for the taxable year. The threshold amount would mean 5% of a qualifying taxpayer’s federal adjusted gross income. Only one tax credit per residence could be claimed in any year under the Act.

The credit would be in an amount calculated as follows:

- a) The qualifying taxpayer’s threshold amount for the taxable year would be subtracted from the total amount of property taxes paid by the qualifying taxpayer on his or her principal residence during the taxable year.
- b) The total in part a above would then be multiplied by 50%

For purposes of the calculation, the amount of property taxes paid on the qualifying taxpayer’s principal residence could not exceed the amount of property taxes paid on a residence with a taxable value equal to 200% of the average assessed value of single-family residential property in the qualifying taxpayer’s county of residence as determined under section 77-3506.02.

A qualifying taxpayer would apply for the credit by submitting an application to the Department of Revenue (DOR). If the DOR determines that the qualifying taxpayer qualifies for the tax credit, the DOR would approve the application and certify the amount of the approved credit to the taxpayer. A qualifying taxpayer would claim any tax credit under the Act by attaching the tax credit certification received from the DOR to the qualifying taxpayer’s income tax return.

The DOR could adopt and promulgate rules and regulations to carry out the Act.

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

- FY 24-25: \$0
- FY 25-26: (\$154,685,000)
- FY 26-27: (\$160,872,000)
- FY 27-28: (\$167,307,000)

The DOR estimates a need for a one-time programming charge of \$242,004 to be paid to the Office of the Chief Information Officer (OCIO) with ongoing maintenance costs of \$21,871 after the first year.

The DOR also estimates personnel costs as a result of this bill. For FY 24-25, the DOR estimates a need for an IT Applications Developer Senior, an IT Business Systems Analyst, a Revenue Tax Specialist, and 0.5 FTE IT Database Analyst Senior. For FY 25-26 and after, the DOR estimates a need for 0.5 FTE IT Applications Developer Senior, 0.5 FTE IT Business Systems Analyst, and a Revenue Tax Specialist. Beginning January of 2025, the DOR estimates a need for three Office Technicians and two Revenue Operations Clerk II’s to implement the bill.

There is no basis to disagree with these estimates. However, the DOR does not assume any salary or benefits increases for FY25-26 and FY26-27 for the additional personnel needed pursuant to this bill’s provisions. While the actual salary and health insurance increases for FY25-26 and thereafter are not yet determined, it is important to note that any additional personnel in FY24-25 will have ongoing rising costs associated with salary and health insurance increases, which are normally addressed in the biennial budget process for all bargaining and non-bargaining employees.

State Agency Estimate

State Agency Name: Department of Revenue		Date Due LFO:				
Approved by: James R. Kamm		Phone: 471-5896				
Date Prepared: 02/16/2024						
FY 2024-2025		FY 2025-2026		FY 2026-2027		
Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue	
General Funds	\$709,404	\$ 0	\$419,171	\$ (154,685,000)	\$419,171	\$ (160,872,000)
Cash Funds						
Federal Funds						
Other Funds						
Total Funds	\$709,404	\$ 0	\$419,171	\$ (154,685,000)	\$419,171	\$ (160,872,000)

LB 1367 adopts the Property Tax Circuit Breaker Act (Act). For taxable years beginning on or after January 1, 2025, the Act allows a refundable income tax credit to qualifying taxpayers if the total amount of property taxes paid by the qualifying taxpayer on his or her principal residence during the taxable year exceeds the threshold amount. Threshold amount means 5% of the qualifying taxpayer’s federal adjusted gross income (AGI). The Act allows only one tax credit per residence to be claimed in any year.

The refundable credit is calculated as follows:

- a) The qualifying taxpayer’s threshold amount (5% of the qualifying taxpayer’s federal AGI) for such taxable year is subtracted from the total amount of property taxes paid by the qualifying taxpayer on his or her principal residence during the taxable year; and
- b) The calculated amount in a) is multiplied by 50%.

For purposes of the credit calculation, the amount of property taxes paid on the qualifying taxpayer’s principal residence must not exceed the amount of property taxes paid on a residence with a taxable value equal to 200% of the average assessed value of a single-family residential property in the qualifying taxpayer’s county of residence as determined under Neb. Rev. Stat. § 77-3506.02.

DOR may adopt and promulgate rules and regulations to carry out the Act.

Major Objects of Expenditure

Class Code	Classification Title	24-25	25-26	26-27	24-25	25-26	26-27
		FTE	FTE	FTE	Expenditures	Expenditures	Expenditures
A07012	Information Technology Applications Developer/Senior	1.0	0.5	0.5	\$80,000	\$40,000	\$40,000
A07081	Information Technology Business Systems Analyst	1.0	0.5	0.5	\$59,600	\$29,800	\$29,800
A07052	Information Technology Data/Database Analyst/Senior	0.5	0	0	\$40,000	\$0	\$0
S01011	Office Technician	1.5	3.0	3.0	\$45,600	\$91,300	\$91,300
S29112	Revenue Op Clerk II	1.0	2.0	2.0	\$37,800	\$75,500	\$75,500
A29621	Revenue Tax Specialist	1.0	1.0	1.0	\$62,100	\$62,100	\$62,100
Benefits.....					\$107,300	\$98,600	\$98,600
Operating Costs.....					\$242,004	\$21,871	\$21,871
Travel.....							
Capital Outlay.....					\$35,000		
Capital Improvements.....							
Total.....					\$709,404	\$419,171	\$419,171

Using the 2022 individual income tax data, counties average assessed value, and the refundable income tax credit for property tax paid, DOR estimated the following fiscal impact to the General Fund revenues:

Fiscal Year	General Fund Revenues
FY2024-25	\$ -
FY2025-26	\$ (154,685,000)
FY2026-27	\$ (160,872,000)
FY2027-28	\$ (167,307,000)

LB 1367 will require a one-time programming charge of \$242,004 paid to the OCIO for the following: adding a line to Schedule I, adding lines to NebFile for Individuals, a pre-posting check to verify credits against property tax data collected from the counties, developing a new schedule, an inquiry/edit process for this data, and web development costs to collect tax receipt data from the counties. For subsequent years, DOR will need \$21,871 for paid to the OCIO for maintenance cost.

DOR will also need one IT Applications Developer Senior, one IT Business Systems Analyst, one Revenue Tax Specialist and 0.5 IT Database Analyst Senior in FY 2024-25. In FY 2025-26 and after, DOR will need 0.5 IT Applications Developer Senior, 0.5 IT Business Systems Analyst, and one Revenue Tax Specialist. Starting in January 2025 DOR will need three Office Technicians and two Revenue Operations Clerk IIs to implement the bill.