

**FISCAL NOTE**  
**LEGISLATIVE FISCAL ANALYST ESTIMATE**

<b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)</b>				
	<b>FY 2022-23</b>		<b>FY 2023-24</b>	
	<b>EXPENDITURES</b>	<b>REVENUE</b>	<b>EXPENDITURES</b>	<b>REVENUE</b>
GENERAL FUNDS	\$152,218	(\$31,522,000)		(\$55,122,000)
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
<b>TOTAL FUNDS</b>	<b>\$152,218</b>	<b>(\$31,522,000)</b>		<b>(\$55,122,000)</b>

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

LB 827 provides for a reduction to federal adjusted gross income (FAGI) and, for corporations and fiduciaries, federal taxable income (FTI), for expenditures made on qualified property or investment property. Such qualified expenditures are eligible for full expensing, so long as the expenditures have not already been deducted. In the event that full expenses are not deducted, the taxpayer may depreciate the costs over a five year period.

LB 827 also allows taxpayers to reduce their FAGI or FTI for research or development expenditures incurred during the tax year, so long as the expenditures made have not already been deducted. In the event that the expenditures are not fully deducted, the taxpayer may amortize the costs over a five year period.

The changes made by LB 827 would go into effect beginning in tax year 2022. LB 827 authorizes the Department of Revenue to regulate and administer the changes made by this bill.

**REVENUE:**

The Department of Revenue estimates the following impact on the General Fund:

FY22-23:	(\$31,522,000)
FY23-24:	(\$55,122,000)
FY24-25:	(\$70,859,000)
FY25-26:	(\$77,945,000)

**EXPENDITURES:**

The department estimates a one-time cost of \$152,218 for a programming charge to OCIO to implement the bill.

There is no basis to disagree with these estimates.

<b>ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY &amp; POLT. SUB. RESPONSE</b>		
LB: 827	AM:	AGENCY/POLT. SUB: Department of Revenue
REVIEWED BY: Neil Sullivan	DATE: 2/17/2022	PHONE: (402) 471-4179
COMMENTS: No basis to disagree with the Department of Revenue assessment of fiscal impact from LB 827.		



expenditures. Research and experimental expenditures have the same meaning as in 26 C.F.R.1.174.2 as it existed on January 1,2022.

This deduction is only allowed to the extent the research or experimental expenditures have not already been deducted from the federal AGI or taxable income of the taxpayers. Taxpayers that do not fully deduct the expenditures in the taxable year that the expenditures are paid or incurred may elect to amortize the expenditures over a five-year irrevocable term.

It is estimated that LB 827 will have the flowing impact on the General Fund revenues:

FY2022-2023	\$	(31,522,000)
FY2023-2024	\$	(55,122,000)
FY2024-2025	\$	(70,859,000)
FY2025-2026	\$	(77,945,000)

LB 827 will require a one-time programming charge of \$152,218 paid to the OCIO to add lines and schedules to the Forms 1120N, 1041N, and the NebFile online filing system.

The operative date for this bill is January 1, 2022.