

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2023-24		FY 2024-25	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$152,647	(\$513,963,000)	\$98,200	(\$372,998,000)
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$152,647	(\$513,963,000)	\$98,200	(\$372,998,000)

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

LB 294 creates the Child Tax Credit Act (Act). Under the Act, starting in taxable year 2023, a taxpayer with a qualifying child would be eligible for a refundable credit against the income tax imposed by the Nebraska Revenue Act of 1967.

Under the Act, a qualifying child means an individual who:

- Is under 18 years of age at the end of the taxable year;
- Is claimed as a dependent on the taxpayer’s federal income tax return; and
- Has been issued either a social security number or an individual taxpayer identification number.

The refundable tax credits would be in the following amounts:

- For married filing jointly taxpayers: \$1,000 per qualifying child, except the credit is reduced by 5% for each \$2,000 by which Federal Adjusted Gross Income (FAGI) exceeds \$110,000 but not below zero.
- For head of household taxpayers: \$1,000 per qualifying child, except the credit is reduced by 5% for each \$1,500 by which FAGI exceeds \$92,500 but not below zero.
- For any other filing status: \$1,000 per qualifying child except the credit is reduced by 5% for each \$1,000 by which FAGI exceeds \$75,000 but not below zero.

Starting in taxable year 2024, the Department of Revenue (DOR) is to make adjustments for inflation by the same percentage used to adjust individual income tax brackets for tax credit amounts, threshold amounts at which the tax credit amounts begin to be reduced, and increments at which the tax credit amounts are reduced.

The DOR would need to submit an annual report to the Legislature under the bill on the usage of the tax credits.

The bill adds that in bankruptcy and in the collection of a money judgment, the full amount of any tax credit refund received under the Act is to be exempt from attachment, garnishment, or other legal or equitable process and from all claims of creditors.

The DOR estimates the following impact to General Fund revenue as a result of this bill:

- FY23-24: (\$513,963,000)
- FY24-25: (\$372,998,000)
- FY25-26: (\$382,324,000)
- FY26-27: (\$391,882,000)

The DOR estimates a one-time charge for programming to be paid to the Office of the Chief Information Officer (OCIO) of \$54,147 for mainframe and web development costs. Additionally, the DOR estimates a 1 FTE Revenue Economist needed to implement this bill to analyze the issue of poverty and the effectiveness of the program.

There is no basis to disagree with these estimates.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE

LB: 294 AM: AGENCY/POLT. SUB: Department of Revenue

REVIEWED BY: Neil Sullivan DATE: 2/3/2023 PHONE: (402) 471-4179

COMMENTS: The Department of Revenue assessment of fiscal impact from LB 294 appears reasonable.

The estimated fiscal impact of LB 294 to the General Fund revenues would be as follows:

FY23-24	\$ (513,963,000)
FY24-25	\$ (372,998,000)
FY25-26	\$ (382,324,000)
FY26-27	\$ (391,882,000)

Fiscal Year 2023-24 shows a larger impact because taxpayers already paid their withholding for tax year 2023 and will claim it when the taxpayer file their 2023 tax return in early 2024. Taxpayers will begin to adjust their withholding or estimated payment, or both beginning January 1, 2024 to reflect the new refundable income tax credit. Hence the fiscal impact for FY2023-24 effectively includes 17 months rather than 12 months.

LB 294 would requires a one-time programming charge of \$54,147 paid to the OCIO for mainframe and web development costs. DOR will also need 1 FTE of revenue economist position to collect and research on poverty issue and to analyze the effectiveness of the program.