PREPARED BY: DATE PREPARED: PHONE: John Wiemer March 20, 2023 402-471-0051

LB 697

Revision: 00

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)						
	FY 202	23-24	FY 2024-25			
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE		
GENERAL FUNDS	\$24,624	(\$1,652,000)		(\$3,007,000)		
CASH FUNDS						
FEDERAL FUNDS						
OTHER FUNDS						
TOTAL FUNDS	\$24,624	(\$1,652,000)		(\$3,007,000)		

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

LB 697 seeks to amend provisions of the Nebraska Job Creation and Mainstreet Revitalization Act (Act). The bill redefines historically significant real property to include at-grade or above ground structures. The bill redefines improvement to include projects with a total cost which equal or exceed \$5,000.

LB 697 also seeks to change the amount of nonrefundable credits being equal to 20% of eligible expenditures up to a maximum credit of \$1 million to the following:

- For historically significant real property located in a county that includes a city of the metropolitan class or a city of the primary class, the credit would be equal to 25% of eligible expenditures.
- For historically significant real property located in any other county, the credit would be equal to 30% of eligible expenditures.
- In all cases, the maximum credit allocated to any one project would be \$2 million.

LB 697 changes the total amount of credits that can be allocated per calendar year, starting January 1, 2025, to \$12 million, from the current \$15 million, while maintaining that \$4 million dollars would need to be reserved for applications seeking an allocation of credits of less than \$100,000.

LB 697 adds engineering fees and any costs generally related to the protection of the historically significant real property from deterioration to eligible expenditures that could be incurred up to 6 months prior to the submission of the application for credits.

LB 697 adds that the report regarding the Act by the Nebraska State Historical Society and the Department of Revenue (DOR) would need to be issued to the Revenue Committee of the Legislature no later than December 31 of each year.

LB 697 extends the deadline for new applications under the Act from December 31, 2022, to December 31, 2031. All applications and all credits pending or approved before such date would continue in full force and effect, except that no credits would be allocated under section 77-2905, issued under section 77-2906, or used on any tax return or similar filing after December 31, 2036. This extends the deadline to claim credits from December 31, 2027.

The DOR estimates the following impact to General Fund revenues from this bill:

- FY23-24: (\$1,652,000)
- FY24-25: (\$3,007,000)
- FY25-26: (\$4,364,000)
- FY26-27: (\$5,723,000)

Additionally, the DOR estimates the need for a one-time programming charge of \$24,624 to be paid to the Office of the Chief Information Officer (OCIO) to make changes to the Historical Tax Credit application program.

There is no basis to disagree with these estimates by the DOR.

The Nebraska State Historical Society estimates no fiscal impact to it as a result of the bill. There is no basis to disagree with this estimate.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE					
LB: 697 AM: AGENCY/POLT. SUB: Department of Revenue					
REVIEWED BY	: Neil Sullivan	DATE: 3/20/2023	PHONE: (402) 471-4179		
COMMENTS: No basis to disagree with the Department of Revenue assessment of fiscal impact from LB 697.					

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE						
LB: 697 AM: AGENCY/POLT. SUB: State Historical Society						
REVIEWED BY: Neil Sullivan DATE: 3/15/2023 PHONE: (402) 471-4179						
COMMENTS: No basis to disagree with the State Historical Society assessment of no fiscal impact from LB 697.						

State Agency Estimate						
State Agency Name: Departmen	t of Revenue				Date Due LFO:	
Approved by: Glen White		Date Prepared:	03/20/2023		Phone: 471-5896	
FY 2023-2024		FY 2024	-2025	FY 2025	5-2026	
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue
General Funds	\$24,624	(\$1,652,000)		(\$3,007,000)		(\$4,364,000)
Cash Funds						
Federal Funds						
Other Funds						
Total Funds	\$24,624	(\$1,652,000)		(\$3,007,000)		(\$4,364,000)
Total Tulius	\$24,024	(\$1,032,000)		(\$3,007,000)		(\$4,304,00

LB 697 makes the following changes to the Nebraska Job Creation and Mainstreet Revitalization Act.

LB 697 redefines historically significant real property to include at-grade or above ground structures used for any purpose. Improvement is redefined to include a project with a total cost of more than \$5,000 regardless of location. Currently, the improvement must cost at least \$25,000 or 25% of the value of the building, depending on location. The definition of eligible expenses is amended to include engineering fees and any costs "generally related to the protection of the historically significant real property from deterioration."

LB 697 amends the amount of credits available to 25% of eligible expenses for properties located in a county that includes a city of the metropolitan class or a city of the primary class. The credit will be equal 30% for a property located in any other county. The maximum credit allowed for any single project is increased to \$2 million. LB 697 also repeals the sunset on the Act. Section 77-2905 adds the provision that total credits under the program to be \$12 million for all calendar years after 2025, of which \$4 million is reserved for applications under \$100,000.

LB 697 extends the application deadline to on or before December 31, 2031. LB 697 also extends the final date to allocate, issue, or use credits to December 31, 2036.

The Department of Revenue (DOR) estimates the following fiscal impact to the General Fund revenues:

FY 2023-24	\$(1,652,000)
FY 2024-25	\$(3,007,000)
FY 2025-26	\$(4,364,000)
FY 2026-27	\$(5,723,000)

LB 697 would require a one-time programming charge of \$24,624 paid to the OCIO to make changes to the Historical Tax Credit application program.

LB 697 becomes operative three months after adjournment.

Major Objects of Expenditure							
Class Code	Classification Title	23-24 <u>FTE</u>	24-25 <u>FTE</u>	25-26 <u>FTE</u>	23-24 Expenditures	24-25 Expenditures	25-26 Expenditures
Benefits		<u> </u>					
Operating Costs.					\$24,624		
Travel							
Capital Improvements			\$24,624				

LB ⁽¹⁾ 697			FISCAL NOTE						
State Agency OR Political Subdivision Names	History Nebraska	History Nebraska (Nebraska State Historical Society)							
402444 Prepared by: (3) Michelle Furby	Date Prepared: (4)	January 31, 2023 Phone: 0	5) 402-471-3171						
ESTIMATE PRO	OVIDED BY STATE AGEN	NCY OR POLITICAL SUBDIV	ISION						
	FY 2023-24	FY 20:	24_05						
EXPENDITU		EXPENDITURES	REVENUE						
GENERAL FUNDS									
CASH FUNDS									
FEDERAL FUNDS	<u> </u>								
OTHER FUNDS	<u> </u>								
TOTAL FUNDS									
		<u> </u>							
Explanation of Estimate:									
BREAKD Personal Services:	OWN BY MAJOR OBJECT	TS OF EXPENDITURE							
	NUMBER OF POSITION	S 2023-24	2024-25						
POSITION TITLE	<u>23-24</u> <u>24-25</u>	<u>EXPENDITURES</u>	EXPENDITURES						
Benefits									
Operating									
Travel									
Capital outlay									
Aid									
Capital improvements									
TOTAL									