PREPARED BY: DATE PREPARED: PHONE: John Wiemer February 19, 2024 402-471-0051

LB 1324

Revision: 00

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)						
	FY 202	24-25	FY 2025-26			
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE		
GENERAL FUNDS	\$98,787	(\$51,897,500)	\$28,700	(\$125,852,000)		
CASH FUNDS						
FEDERAL FUNDS						
OTHER FUNDS						
TOTAL FUNDS	\$98,787	(\$51,897,500)	\$28,700	(\$125,852,000)		

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

LB 1394 would establish the Child Tax Credit Act (Act). Under the Act, starting in taxable year 2025, a taxpayer with a qualifying child would be eligible for a refundable income tax credit.

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

- Is 6 years of age or younger 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, but not below zero, by 5% for each \$2,000, or fraction thereof, by which Federal Adjusted Gross Income (FAGI) exceeds \$110,000.
- For head of household taxpayers: \$1,000 per qualifying child, except the credit is reduced, but not below zero, by 5% for each \$1,500, or fraction thereof, by which FAGI exceeds \$92,500.
- For any other filing status: \$1,000 per qualifying child except the credit is reduced, but not below zero, by 5% for each \$1,000, or fraction thereof, by which FAGI exceeds \$75,000.

Starting in taxable year 2026, 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 would add 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 decrease to General Fund revenues as a result of this bill:

- FY 24-25: (\$51,897,500)
- FY 25-26: (\$125,852,000)
- FY 26-27: (\$128,998,000)
- FY 27-28: (\$132,223,000)

The DOR estimates a one-time charge for programming to be paid to the Office of the Chief Information Officer (OCIO) of \$65,087 for mainframe and web development costs. Additionally, the DOR estimates a need for 0.5 FTE Revenue Agent for implementation of this 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.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE					
LB: 1324 AM: AGENCY/POLT. SUB: Department of Revenue					
REVIEWED BY	Y: Neil Sullivan	DATE: 2/16/2024	PHONE: (402) 471-4179		
COMMENTS: The Department of Revenue assessment of fiscal impact from LB 1324 appears reasonable.					

LB 1324 Fiscal Note 2024

State Agency Estimate							
State Agency Name: Department o	f Revenue	"			Date Due LFO:		
Approved by: James R. Kamm Date Prepared:		02/15/2024 Phone: 471-5896					
FY 2024-2025		FY 2025-2026		FY 2026-2027			
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue	
General Funds	\$98,787	\$(51,897,500)	\$28,700	\$(125,852,000)	\$28,700	\$(128,998,000)	
Cash Funds							
Federal Funds							
Other Funds							
Total Funds	\$98,787	\$(51,897,500)	\$28,700	\$(125,852,000)	\$28,700	\$(128,998,000)	

LB 1324 adopts the Child Tax Credit Act (Act). For taxable years beginning on or after January 1, 2025, any individual taxpayer with a qualifying child is eligible to receive a refundable income tax credit of \$1,000 per qualifying child that is subject to a reduction as follows:

- For Married Filing Jointly credit amount is reduced by 5% for each \$2,000, or fraction thereof, but not below zero by which federal AGI exceeds \$110,000.
- For Head of Household credit amount is reduced by 5% for each \$1,500, or fraction thereof, but not below zero by which federal AGI exceeds \$92,500.
- For Single and Married Filing Separate credit amount is reduced by 5% for each \$1,000, or fraction thereof, but not below zero by which federal AGI exceeds \$75,000.

For taxable years beginning on or after January 1, 2026, Department of Revenue (DOR) must adjust for inflation the tax credit amounts, and the threshold amounts and increments for when the credit will be reduced by the same percentage used to adjust individual income tax brackets under Neb. Rev. Stat. § 77-2715.03.

Beginning in 2026, DOR must submit an annual report to the Legislature on the credit usage under the Act by no later than July 15 of each year.

The estimated fiscal impact of LB 1324 to the General Fund revenues would be as follows:

FY2024-25	\$ (51,897,500)
FY2025-26	\$ (125,852,000)
FY2026-27	\$ (128,998,000)
FY2027-28	\$ (132,223,000)

LB 1324 would require a one-time programming charge of \$65,087 paid to the OCIO for mainframe and web development costs. DOR will also need to hire 0.5 FTE of Revenue Agent for implement of the Act.

Major Objects of Expenditure							
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
X29222	Revenue Agent	0.5	0.5	0.5	\$21,600	\$21,600	\$21,600
Benefits					\$7,100	\$7,100	\$7,100
Operating Costs				\$65,087	ψ7,100	ψ1,100	
Capital Outlay				\$5,000			
	ents						
Total				\$98,787	\$28,700	\$28,700	