

**FISCAL NOTE**  
 LEGISLATIVE FISCAL ANALYST ESTIMATE

| <b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)</b> |                     |                |                     |                        |
|---|---------------------|----------------|---------------------|------------------------|
|   | <b>FY 2019-20</b>   |                | <b>FY 2020-21</b>   |                        |
|   | <b>EXPENDITURES</b> | <b>REVENUE</b> | <b>EXPENDITURES</b> | <b>REVENUE</b>         |
| GENERAL FUNDS   | \$940,977           |                | \$519,100           | (\$190,300,000)        |
| CASH FUNDS  |                     |                |                     |                        |
| FEDERAL FUNDS   |                     |                |                     |                        |
| OTHER FUNDS   |                     |                |                     |                        |
| <b>TOTAL FUNDS</b>  | <b>\$940,977</b>    |                | <b>\$519,100</b>    | <b>(\$190,300,000)</b> |

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

LB 420 creates the Property Tax Circuit Breaker Act, which provides a refundable income tax credit. A qualifying residential or agricultural taxpayer, as defined by the bill, may apply to the Department of Revenue for a refundable income tax credit based on the amount of property taxes paid and the income level of the applicant taxpayer.

The department may certify up to \$107,600,000 in tax credits for qualifying agricultural taxpayers each taxable year. If the total amount of tax credits requested by all applicants exceeds the total amount available, the department must certify tax credits on a proportionate basis so the limitation is not exceeded.

For qualifying residential taxpayers, the department may certify up to \$82,700,000 of tax credits for each taxable year. If the total amount of tax credits requested by all applicants exceeds the total amount available, the department must certify tax credits on a proportionate basis so the limitation is not exceeded. Qualifying residential taxpayers include both homeowners and renters.

The credit is available for tax years beginning January 1, 2020. The department can adopt and promulgate rules and regulations to carry out the act.

**Revenue:**

The Department of Revenue estimates the credit for both agricultural and residential taxpayers will exceed the cap amount annually, resulting in a reduction in General Fund revenue of \$190,300,000 each year. We agree that it seems reasonable to estimate that the cap will be reached each year based upon the data available.

**Expenditures:**

The Department of Revenue estimates the following administrative costs:

- A one-time programming charge of \$203,777 to OCIO for mainframe and web development costs; and
- Expenditures for 3.0 FTEs Tax Specialists for the first year reduced to 2.0 FTEs thereafter; 1.0 FTE of IT Business Systems Analyst for the first year reduced to 0.5 FTE thereafter; 2.0 FTEs of IT applications Developer/Senior for the first year reduced to 1.5 FTEs thereafter; 0.5 FTE IT Data/Database Analyst/Senior for the first year; 3.0 FTEs Office Clerk III; and 2.0 FTEs Revenue Operation Clerk II for a total cost of \$737,200 in FY20 and \$519,100 in FY21.

There is no basis to disagree with the estimates of cost.

|  |                 |   |  |
|--|-----------------|---|--|
| <b>ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY &amp; POLT. SUB. RESPONSE</b> |                 |   |  |
| LB: 420  | AM:             | AGENCY/POLT. SUB: Department of Revenue |  |
| REVIEWED BY: Lee Will  | DATE: 2/19/2019 | PHONE: (402) 471-4175                   |  |
| COMMENTS: Concur with the Department of Revenue's assessment of fiscal impact.                   |                 |   |  |

**State Agency Estimate**

|  |                     |                        |                     |                 |                     |                 |
|--|---------------------|------------------------|---------------------|-----------------|---------------------|-----------------|
| State Agency Name: Department of Revenue |                     | Date Due LFA: 2/15/19  |                     |                 |                     |                 |
| Approved by: Tony Fulton                 |                     | Date Prepared: 2/14/19 |                     |                 |                     |                 |
|  |                     | Phone: 471-5896        |                     |                 |                     |                 |
|  | <b>FY 2019-2020</b> |                        | <b>FY 2020-2021</b> |                 | <b>FY 2021-2022</b> |                 |
|  | Expenditures        | Revenue                | Expenditures        | Revenue         | Expenditures        | Revenue         |
| General Funds                            | \$940,977           | \$0                    | \$519,100           | (\$190,300,000) | \$508,700           | (\$190,300,000) |
| Cash Funds                               |                     |                        |                     |                 |                     |                 |
| Federal Funds                            |                     |                        |                     |                 |                     |                 |
| Other Funds                              |                     |                        |                     |                 |                     |                 |
| Total Funds                              | \$940,977           | \$0                    | \$519,100           | (\$190,300,000) | \$508,700           | (\$190,300,000) |

LB 420 creates the Property Tax Circuit Breaker Act. LB 420 will provide property tax relief through a refundable income tax credit for taxpayers whose income is below the threshold determined by this bill. This bill will limit the credit to qualifying agricultural taxpayers (individuals owning agricultural land in this state which is part of a farming operation with a federal AGI of less than \$350,000) and qualifying residential taxpayers (individuals owning or renting their principal residence in this state with a federal AGI of less than \$100,000 for married filing jointly and \$50,000 for any other taxpayers).

Qualifying agricultural taxpayers may apply for a refundable income tax credit between January 1 and April 15 of each year beginning in 2020. The application form, developed by the Department of Revenue, is to include the address of the qualifying agricultural taxpayer’s agricultural land and horticultural land; the amount of property taxes paid by the qualifying agricultural taxpayer on the agricultural land and horticultural land during the most recently completed taxable year; the federal adjusted gross income generated by the qualifying agricultural taxpayer’s farming operation for the most recently completed taxable year; and any other documentation required by the Department. If the Department approves the application, the taxpayer will be granted a credit equal to the property tax paid less 7% of the taxpayer’s federal AGI. However, only \$107.6 million is available for qualifying agricultural taxpayers, so if the total credits certified statewide exceed that amount, the credits will be reduced by a proportionate amount. The taxpayer will claim the credit by filing a form developed by the Tax Commissioner with the next income tax return. Only one refundable income tax credit may be claimed per parcel.

Qualifying residential taxpayers may apply for a credit between January 1 and April 15 of each year beginning in 2020. If the Department approves the application, the taxpayer will be granted a credit equal to the amount by which the total amount of property taxes paid exceeds the sum of the calculation in Table 1 below. However, the amount of property taxes paid cannot exceed the amount of 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 residential taxpayer’s county of residence.

**Table 1**

| Percent of Taxpayer Federal AGI | Federal AGI for Married Filing Jointly | Federal AGI for All Other Taxpayers |
|---------------------------------|--|-------------------------------------|
| 1%                              | \$0 - 14,000                           | \$0 - 7,000                         |
| 2%                              | \$14,001 - 30,000                      | \$7,001 - 15,000                    |
| 3%                              | \$30,001 - 50,000                      | \$15,001 - 25,000                   |
| 4%                              | \$50,001 - 75,000                      | \$25,001 - 37,500                   |
| 5%                              | \$75,001 - 100,000                     | \$37,501 - 50,000                   |

The credit for qualifying residential taxpayers who rent their primary residence shall be equal to the amount by which 20% of the total amount of rent paid exceeds the sum of the amounts calculated in Table 1 above.

The credit calculations for the home owner and renter cannot exceed the applicable amounts below

| Credit Cap | Federal AGI for Married Filing Jointly | Federal AGI for All Other Taxpayers |
|------------|--|-------------------------------------|
| \$1,200    | \$0 - 14,000                           | \$0 - 7,000                         |
| \$900      | \$14,001 - 30,000                      | \$7,001 - 15,000                    |
| \$600      | \$30,001 - 50,000                      | \$15,001 - 25,000                   |
| \$300      | \$50,001 - 100,000                     | \$25,001 - 50,000                   |

However, only \$82.7 million is available for qualifying residential taxpayers (both owners and renters), so if the total credits certified statewide exceed that amount, the credits will be reduced by a proportionate amount. The taxpayer will claim the credit by filing a form developed by the Tax Commissioner with the next income tax return. Only one tax credit may be claimed per parcel.

The Department estimates that the credit for both agricultural and residential taxpayers will exceed the cap amount every year. Hence, the estimated reduction to the General Fund revenue would be as follow.

|         | Agricultural Property Tax Credit | Residential Property Tax Credit | Total          |
|---------|----------------------------------|---------------------------------|----------------|
| FY19-20 | \$ -                             | \$ -                            | \$ -           |
| FY20-21 | \$ 107,600,000                   | \$ 82,700,000                   | \$ 190,300,000 |
| FY21-22 | \$ 107,600,000                   | \$ 82,700,000                   | \$ 190,300,000 |
| FY22-23 | \$ 107,600,000                   | \$ 82,700,000                   | \$ 190,300,000 |

LB 420 would require a one-time programming charge of \$203,777 paid to the OCIO for mainframe and web development costs.

The Department will require 3.0 FTEs Tax Specialists for the first year reduced to 2.0 FTEs thereafter; 1.0 FTE of IT Business Systems Analyst for the first year reduced to 0.5 FTE thereafter; 2.0 FTEs of IT applications Developer/Senior for the first year reduced to 1.5 FTEs thereafter; 0.5 FTE IT Data/Database Analyst/Senior for the first year; 3.0 FTEs Office Clerk III; and 2.0 FTEs Revenue Operation Clerk II to implement LB 420.

**Major Objects of Expenditure**

| Class Code                | Classification Title             | 19-20 | 20-21 | 21-22 | 19-20            | 20-21            | 21-22            |
|---------------------------|----------------------------------|-------|-------|-------|------------------|------------------|------------------|
|                           |                                  | FTE   | FTE   | FTE   | Expenditures     | Expenditures     | Expenditures     |
| A29621                    | Revenue Tax Specialist           | 3.0   | 2.0   | 2.0   | \$155,400        | \$109,500        | \$107,300        |
| A07081                    | IT Business Systems Analyst      | 1.0   | 0.5   | 0.5   | \$49,800         | \$26,300         | \$25,800         |
| A07012                    | IT Applications Developer/Senior | 2.0   | 1.5   | 1.5   | \$133,600        | \$105,900        | \$103,800        |
| A07052                    | IT Data/Database Analyst/Senior  | 0.5   |       |       | \$33,400         | \$0              | \$0              |
| R01113                    | Office Clerk III                 | 3.0   | 3.0   | 3.0   | \$77,600         | \$82,000         | \$80,300         |
| R29112                    | Revenue Operations Clerk II      | 2.0   | 2.0   | 2.0   | \$63,100         | \$66,600         | \$65,300         |
| Benefits.....             |                                  |       |       |       | \$169,300        | \$128,800        | \$126,200        |
| Operating Costs.....      |                                  |       |       |       | \$203,777        |                  |                  |
| Travel.....               |                                  |       |       |       |                  |                  |                  |
| Capital Outlay.....       |                                  |       |       |       | \$55,000         | \$0              | \$0              |
| Capital Improvements..... |                                  |       |       |       |                  |                  |                  |
| <b>Total.....</b>         |                                  |       |       |       | <b>\$940,977</b> | <b>\$519,100</b> | <b>\$508,700</b> |