Keisha Patent February 14, 2022 (402) 471-0059

## LB 740

## Revision: 02 FISCAL NOTE LEGISLATIVE FISCAL ANALYST ESTIMATE

Revised to correct year of fiscal impact.

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)						
	FY 202	2-23	FY 2023-24			
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE		
GENERAL FUNDS	\$105,660			(\$37,311,000)		
CASH FUNDS						
FEDERAL FUNDS						
OTHER FUNDS						
TOTAL FUNDS	\$105,660			(\$37,311,000)		

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

LB 740 provides for a reduction to Federal Adjusted Gross Income beginning in taxable years on or after January 1, 2023 for individual taxpayers renting their principle dwelling. The deduction is to be equal to lesser of either the total rent paid in the tax year or \$3,000.

LB 740 limits the deduction for a married taxpayer filing jointly to \$3,000, and for a married taxpayer filing separately to \$1,500. Taxpayers that are exempt from property taxes are identified as ineligible for this deduction.

The Department of Revenue estimates that approximately 257,000 households will claim this deduction for the maximum allowed by their filing status. This would have the following impact on General Fund revenues:

• FY22-23: \$0

Г

- FY23-24: (\$37,311,000)
- FY24-25: (\$38,617,000)

Additionally, the Department of Revenue estimates a one-time OCIO charge of \$105,660 to implement LB 740.

There is no basis to disagree with these estimates.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE					
LB: 740	AM:	AGENCY/POLT. SUB: Departm	AGENCY/POLT. SUB: Department of Revenue		
REVIEWED B	Y: Neil Sullivan	DATE: 1/25/2022	PHONE: (402) 471-4179		
COMMENTS: The Department of Revenue assessment of fiscal impact from LB 740 appears reasonable.					

State Agency Estimate							
State Agency Name: Department of	f Revenue				Date Due LFO:		
Approved by: Tony Fulton		Date Prepared:	1/24/2022		Phone: 471-5896		
	FY 2022-2023		FY 2023-2024		FY 2024-2025		
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue	
General Funds	\$105,660	\$ 0		(\$37,311,000)		(\$38,617,000)	
Cash Funds							
Federal Funds							
Other Funds							
Total Funds	\$105,660	\$ 0		(\$37,311,000)		(\$38,617,000)	

For taxable years beginning on or after January 1, 2023, LB 740 amends Neb. Rev. Stat. §77-2716 to provide a deduction from federal adjusted gross income (AGI) for individuals who rent a dwelling for use as their principal place of residence. The deduction will be the lesser of:

- The rent paid by the individual for the dwelling during the taxable year; or
- \$3,000

Married couples filing joint returns cannot claim more than \$3,000; and a married individual filing a separate return cannot claim more than \$1,500. The deduction does not apply to a renter of a dwelling that is exempt from property taxes. Dwelling includes single-family dwellings and units of multi-family dwelling.

Using the American Community Survey data, The Department of Revenue (DOR) estimates the number of rental households in Nebraska to be 257,000 and assumes most will receive the full deduction. DOR assumes no change in withholding and estimates the total reduction to the General Fund revenues as follows:

FY 2022-23	\$ 0
FY 2023-24	\$ 37,311,000
FY 2024-25	\$ 38,617,000

LB 740 becomes operative for tax years on and after January 1, 2023.

LB 740 will require a one-time programming charge of \$105,660 paid to the OCIO for mainframe and web development costs.

Major Objects of Expenditure							
Class Code	Classification Title	22-23 <u>FTE</u>	23-24 <u>FTE</u>	24-25 <u>FTE</u>	22-23 <u>Expenditures</u>	23-24 <u>Expenditures</u>	24-25 Expenditures
Benefits							
Operating Costs					\$105,660		
Capital Outlay							
					\$105.660		