

Revised per Select File Amendment

# FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2025-26		FY 2026-27	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$65,087	(\$499,000)		(\$1,201,000)
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$65,087	(\$499,000)		(\$1,201,000)

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

LB 647 was amended on General File by AM1107, AM1202, and AM1203. AM1107 contains the modified provisions of LB 566. AM1202 and AM1203 are divisions of AM994. AM1202 contains provisions from several bills while AM1203 contains the modified provisions of LB 131. On Select File, LB 647 was amended by AM1360. AM1360 further modifies the provisions of LB628 and also amends the provisions of the Sports Arena Facility Financing Assistance Act. LB 647, as amended, is discussed below.

## AM1107

*Incorporates Provisions of LB 566 with Modifications*

LB 566 amends section 77-2715.07(7)(a) to change the January 1, 2026 sunset date to January 1, 2032 for the nonrefundable income tax credit in the amount of \$5,000 allowed to any individual who purchases a residence during the taxable year if such residence:

- Is located within an area that has been declared an extremely blighted area under section 18-2102.02;
- Is the individual's primary residence; and
- Was not purchased from a family member of the individual or a family member of the individual's spouse.

The decrease to General Fund revenues from this aspect of the bill is displayed in the table at the end of this fiscal note.

## AM1202

*Incorporates Provisions of LB 628 with Modifications*

LB 628 establishes the Recreational Trail Easement Property Tax Exemption Act.

The bill provides that a taxpayer who encumbers their property with a perpetual recreational trail easement may apply for a property tax exemption for the portion of the property which has been encumbered with the easement as provided in section 77-202.01. The forms for such applications shall be prescribed as provided in section 77-202.05.

The bill provides the qualifications for the property tax exemption.

The Department of Revenue (DOR) shall adopt and promulgate rules and regulations necessary to carry out the Act, and the bill specifies what rules and regulations the DOR shall include.

The bill amends section 76-214 so that the statement required under subsection (1) would include easements used to qualify for the property tax exemption provided by the Act.

This aspect of the amendment is operative on January 1, 2026.

Property tax exemptions, under this bill, would occur when property owners qualify and utilize easements and are estimated to decrease a political subdivision's property tax base. A change in the taxable base for schools due to the exemption of property could have an impact on state aid under TEEOSA, but any such amount is indeterminate.

*Incorporates Provisions of LB 709*

LB 709 establishes the Adoption Tax Credit Act.

Under the bill, for taxable years beginning on or after January 1, 2026, there shall be allowed a credit against the income tax imposed by the Nebraska Revenue Act of 1967 for any taxpayer that is eligible for the federal adoption expenses tax credit provided in 26 U.S.C. 23.

The credit shall be a refundable credit equal to 10% of the federal tax credit allowed to the taxpayer under 26 U.S.C. 23 in the same taxable year.

The DOR may adopt and promulgate rules and regulations to carry out the Act.

The decrease to General Fund revenues from this aspect of the bill is displayed in the table at the end of this fiscal note and the one-time programming charge connected to this aspect of the bill is discussed at the end of this fiscal note, as well.

#### *Incorporates Provisions of LB 242 with Modifications*

LB 242 amends the definition of allowable growth under section 13-518.

The bill amends the Property Tax Growth Limitation Act.

The definition of growth value and inflation percentage are changed.

Under the bill, the preliminary property tax request authority for each political subdivision shall be the amount of property taxes requested and approved by each political subdivision and included on the budget document filed with the auditor in the prior fiscal year pursuant to subsection (2) of section 13-506, less the sum of exceptions utilized in the prior year pursuant to subdivisions (1) to (7) of section 13-3404.

In addition to the preliminary property tax request authority, the political subdivision's property tax request authority may be increased by:

- The product of (i) the amount of property taxes levied in the prior year, less the sum of exceptions utilized in the prior year pursuant to subdivisions (1) and (2) of section 13-3404, and (ii) the political subdivision's growth percentage; and
- The product of (i) the amount of property taxes levied in the prior year, less the sum of exceptions utilized in the prior year pursuant to subdivisions (1) and (2) of section 13-3404, and (ii) the greater of zero or the inflation percentage.

Section 13-3405 is amended regarding elections for a political subdivision increasing its property tax request authority over the amount determined under section 13-3403. Under the bill, upon receipt of such recommendation or legal voter petition, the county clerk or election commissioner shall place such issue on the ballot at the next regularly scheduled election or a special election called for such purpose.

Section 13-3406 is amended to add that a political subdivision may choose to convert its accumulated amount of unused restricted funds authority existing on June 30, 2025, as determined in accordance with section 13-521, into unused property tax request authority. The amount converted may then be used by the political subdivision as unused property tax request authority for fiscal years beginning on or after July 1, 2025. The amount converted shall not exceed 5% of the total property taxes levied for the political subdivision in calendar year 2024.

The bill removes requirements for occupation taxes under section 18-1208 for cities of the metropolitan class, primary class, first class, second class, and villages. Section 18-1208 is also amended so that no later than 90 days after the end of the fiscal year, each municipality that imposes a new occupation tax or increases the rate of an existing occupation tax on or after the operative date of the section shall provide an annual report on the collection and use of such occupation tax.

The bill amends the Property Tax Request Act to remove the definition of excess value and to change the definition of real growth value.

The bill amends section 77-1701 regarding what is to be included on county tax statements.

The bill amends the School District Property Tax Relief Act.

Under the bill, to determine the amount of the property tax credit for each parcel, the county treasurer shall multiply the amount disbursed to the county under subsection (4) of section 77-7305 by the ratio of the school district taxes levied in the current year on the parcel to the school district taxes levied in the current year on all real property in the county. This is a change from prior year language under current law. The amount so determined shall be the property tax credit for the parcel.

The bill also amends the Act so that, after retaining 1% of the amount received by the county for costs, the county treasurer shall disburse the remaining funds.

The Lancaster County Treasurer and the Nebraska Association of County Officials (NACO) estimated in their previous fiscal note responses additional revenue to counties from the 1% fee added under the bill regarding the property tax credit connected to school districts. NACO also estimates a decrease in costs for counties connected to programming as a result of the bill.

*Incorporates Provisions of LB 401 with Modifications*

LB 401 amends section 77-2776 to require Tax Commissioner notices regarding income tax to include a written statement containing the details of the facts, circumstances, and reasons the Tax Commissioner used to determine that the taxpayer did not report the correct amount of tax.

The bill amends the Pass-Through Entity Tax (PTET) election so that for tax years beginning on or after January 1, 2023, such election may be made on the applicable income tax return and shall be made on or before the due date for filing the applicable income tax return, including any extensions that have been granted. The bill requires that for tax returns filed for taxable years beginning on or after January 1, 2022, the PTET credit is allowed for the same taxable year for which the election is made, without regard to the year in which the tax is paid to Nebraska or deducted on a federal income tax return.

**AM1203**

*Incorporates Provisions of LB 131 with Modifications*

LB 131 provides that for the Nebraska education savings plans qualified higher education expenses are changed in name to qualified education expenses. The bill changes the definition of the mentioned term to include expenses for tuition in connection with enrollment or attendance at an elementary or secondary school with a limit of \$10,000 per beneficiary per taxable year beginning January 1, 2029.

The bill replaces the word College with Education for the College Savings Plan Program Fund, the College Savings Plan Expense Fund, and the College Savings Plan Administrative Fund.

The bill makes changes so that assets in or income from an educational savings account, a Coverdell educational savings account described in 26 U.S.C. 530, a qualified tuition program established pursuant to 26 U.S.C. 529, or any similar savings account or plan established to save for qualified education expenses as defined in the bill would not be included as assets or income to determine eligibility for the program for aid to dependent children pursuant to section 43-512 as administered by the state pursuant to the federal Temporary Assistance for Needy Families program, for the low-income home energy assistance program administered by the state pursuant to the federal Energy Policy Act of 2005, for the Supplemental Nutrition Assistance Program administered by the state pursuant to the federal Food and Nutrition Act of 2008, and for the child care subsidy program established pursuant to section 68-1202. The extent of the impact to Department of Health and Human Services aid and operations is indeterminable and likely minimal.

The bill provides that all money in the DOR Miscellaneous Receipts Fund would only be used to defray the cost of production of the publications listed in section 77-3,109 or of the listings described in section 77-3,118 and to carry out any administrative responsibilities of the DOR.

This aspect of the bill becomes operative on October 1, 2025.

The decrease to General Fund revenues from this aspect of the bill is displayed in the table at the end of this fiscal note.

**AM1360**

In addition to the further modifications to LB 628, as covered above, AM1360 amends provisions of the Sports Arena Facility Financing Assistance Act.

Section 13-3103 of the Act is amended to add subsection (1)(f) so that any applicant may apply to the board for state assistance if each coapplicant described in subdivision (1)(b) of section 13-3102 has adopted a resolution authorizing either the political subdivision or the nonprofit corporation to pursue financing or bonds to acquire, construct, improve, or equip an eligible sports arena facility for the purposes set forth in subdivision (4)(b) of section 13-3103. Section 13-3103 is also amended to add to regarding the language of an eligible sports arena facility that is a privately owned sports complex, where state assistance shall only be used by the applicant to lease all or a portion of such privately owned sports complex for the governmental use of the political subdivision. Language is added so that lease means any contractual lease agreement between the coapplicants described in subsection (1)(b) of section 13-3102 for the use of an eligible sports arena facility at fair market rental value for a term not to exceed 20 years.

Section 13-3106 of the Act is amended to add that the application shall be approved except that: An approval of an application submitted because of the requirement in subdivision (1)(f) of section 13-3103 is a temporary approval. If a building permit for the eligible sports arena facility is issued within 24 months of the temporary approval, the approval by the board becomes permanent. If a building permit is not issued within 24 months of the temporary approval, the temporary approval shall become void.

We estimate an indeterminant impact to General Funds and Cash Funds depending on future projects as a result of the provisions connected to the Sports Arena Facility Financing Assistance Act under this bill.

The DOR estimated in its previous fiscal note the following General Fund revenue losses as a result of LB 647, as amended:

<b>Fiscal Year</b>	<b>Nebraska Educational Savings Plan</b>	<b>Adoption Tax Credit</b>	<b>Extremely Blighted Tax Credit</b>	<b>Total General Fund Revenue Impact</b>
<i>FY26</i>	\$ (499,000)	\$ -		\$ (499,000)
<i>FY27</i>	\$ (924,000)	\$ (233,000)	\$ (44,000)	\$ (1,201,000)
<i>FY28</i>	\$ (1,654,000)	\$ (240,000)	\$ (90,000)	\$ (1,984,000)
<i>FY29</i>	\$ (2,530,000)	\$ (247,000)	\$ (116,000)	\$ (2,893,000)
<i>FY30</i>	\$ (3,441,000)	\$ (255,000)	\$ (121,000)	\$ (3,817,000)
<i>FY31</i>	\$ (3,510,000)	\$ (262,000)	\$ (126,000)	\$ (3,898,000)

The DOR also estimated a one-time programming charge of \$65,087 to be paid to the Office of the Chief Information Officer (OCIO) as a result of LB 647, as amended.

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