

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2019-20		FY 2020-21	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$133,588		\$91,200	(\$1,300,000)
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS				

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

LB 88 amends the Revenue Act of 1967 to create a nonrefundable \$5,000 income tax credit to individuals who buy a residence and (1) the residence is located in an area designated as extremely blighted under the Community Development Law; (2) it is the individual's primary residence; and (3) the residence was not purchased from a family member of the individual or the individual's spouse.

"Family member" is defined as spouse, child, parent, brother, sister, grandchild, or grandparent, whether by blood, marriage, or adoption. "Extremely blighted" is defined as a substandard and blighted area in which: (a) The average rate of unemployment in the area during the period covered by the most recent federal decennial census is at least 200% of the average rate of unemployment in the state during the same period; and (b) the average poverty rate in the area exceeds 20% for the total federal census tract or tracts or federal census block group or block groups in the area.

The credit should be claimed in the tax year the residence is purchased, but if it cannot be fully used in that year, the credit can be carried over to subsequent tax years until fully used. The credit is subject to recapture by the Department of Revenue if the individual claiming the credit sells, transfers, or no longer uses the residence as a primary residence within five years of the end of the tax year when the credit was claimed.

The tax credit is available for tax years beginning on or after January 1, 2020.

Revenue:

The Department of Revenue estimates revenue to the General Fund as follows:

FY19-20	\$0
FY20-21	(\$1,300,000)
FY21-22	(\$2,660,000)
FY22-23	(\$4,090,000)

Expenditures:

The Department of Revenue estimates the following administrative costs:

- A one-time programming charge of \$58,188 to OCIO for mainframe and web development costs; and
- The salary and benefits for one FTE IT Application Developer Sr. for up to one year beginning in January 2020 and one FTE Revenue Operations Analyst II on an ongoing basis for a total cost of \$75,400 in FY20 and \$91,200 in FY21.

State Agency Estimate

State Agency Name: Department of Revenue

Date Due LFA: 1/17/19

Approved by: Tony Fulton

Date Prepared: 1/17/19

Phone: 471-5896

	<u>FY 2019-2020</u>		<u>FY 2020-2021</u>		<u>FY 2021-2022</u>	
	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>
General Funds	\$133,588	\$0	\$91,200	(\$1,300,000)	\$43,400	(\$2,660,000)
Cash Funds						
Federal Funds						
Other Funds						
Total Funds	\$133,588	\$0	\$91,200	(\$1,300,000)	\$43,400	(\$2,660,000)

LB 88 provides a nonrefundable income tax credit of 5,000 dollars for a person who purchases a house from someone other than a family member in an area designated as "extremely blighted" and makes it their primary residence. Extremely blighted is defined in § 18-2103 as an area in which: (a) The average rate of unemployment in the area during the period covered by the most recent federal decennial census is at least two hundred percent of the average rate of unemployment in the state during the same period; and (b) the average poverty rate in the area exceeds twenty percent for the total federal census tract or tracts or federal census block group or block groups in the area.

The credit can be claimed in the year of purchase and carried forward until it is fully utilized. The credit is subject to recapture if the claimant sells the house or stops using it as their primary residence within 5 years after the end of the tax year when the credit is claimed. The bill is operative for tax years beginning on or after January 1, 2020.

The bill would be operative for taxable years beginning on or after January 1, 2020.

The Department utilized data from Census to determine the percent of tracts that would be defined as extremely blighted. Coupling this data with home sales data, the Department estimated the number of homes that would qualify for the credit. The estimated reduction to the General Fund revenues would be as follows:

FY 2019-2020	\$	-
FY 2020-2021	\$	1,300,000
FY 2021-2022	\$	2,660,000
FY 2022-2023	\$	4,090,000

The Department estimates 1 FTE Revenue Operations Analyst II indefinitely and 1 FTE IT Application Developer Sr. for up to one year beginning in January of 2020, plus one-time costs of \$58,188 for OCIO mainframe and web development are required to implement the bill.

Major Objects of Expenditure

<u>Class Code</u>	<u>Classification Title</u>	<u>19-20</u>	<u>20-21</u>	<u>21-22</u>	<u>19-20</u>	<u>20-21</u>	<u>21-22</u>
		<u>FTE</u>	<u>FTE</u>	<u>FTE</u>	<u>Expenditures</u>	<u>Expenditures</u>	<u>Expenditures</u>
S29112	Revenue Operations Clerk II	.5	1	1	\$15,800	\$33,300	\$32,600
A07012	IT Applications Developer Sr.	.5	.5	0	\$33,400	\$35,300	\$0
Benefits.....					\$16,200	\$22,600	\$10,800
Operating Costs.....					\$58,188		
Travel.....							
Capital Outlay.....					\$10,000		
Capital Improvements.....							
Total.....					\$133,588	\$91,200	\$43,400