PREPARED BY: DATE PREPARED: PHONE: Austin Ligenza February 2, 2021 (402)471-0050 **LB 176**

Revision: 00

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT - STATE AGENCIES (See narrative for political subdivision estimates)						
	FY 202	1-22	FY 2022-23 EXPENDITURES REVENUE			
	EXPENDITURES	REVENUE				
GENERAL FUNDS	\$104,910	(\$1,020,000)		(\$3,071,000)		
CASH FUNDS						
FEDERAL FUNDS						
OTHER FUNDS						
TOTAL FUNDS	\$104,910	(\$1,020,000)		(\$3,071,000)		

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

LB 176 seeks to create an income tax credit available to qualifying agricultural producers. Under LB 176, any agricultural producer who qualifies for the Conservation Stewardship Program or the Environmental Quality Incentives Program of the US Department of Agriculture will be able to claim a non-refundable \$2500 credit against their income tax liability.

LB 176 allows for recipients of the tax credit to carry forward the amount to subsequent tax years until the credit is fully utilized.

LB 176 becomes operative January 1, 2022.

Revenue:

The Department of Revenue estimates that 2,000 agricultural producers in Nebraska will qualify for the tax credit, and that 45% of the credit will be utilized on the tax year it is received, with the rest carrying over. The impact to General Fund revenues is estimated as follows:

- FY21-22: (\$1,020,000)
- FY22-23: (\$3,071,000)
- FY23-24: (\$4,346,000)
- FY24-25: (\$5,193,000)

There is no basis to disagree with these estimates.

Expenditures:

The Department of Revenue estimates a one-time OCIO charge of \$104,910 to implement LB 176.

There is no basis to disagree with these estimates.

ADMIN	ISTRATIVE SER	VICES STATE BUDGET DIVISION: REVIEW OF AGEN	NCY & POLT. SUB. RESPONSE		
LB: 176	AM:	AGENCY/POLT. SUB: Department of Rev	/enue		
REVIEWED BY:	Lee Will	DATE: 02/02/2021	PHONE: (402) 471-4175		
COMMENTS: The Department of Revenue's assessment of reduced revenue to the General Fund seems reasonable with the bill providing for a nonrefundable income tax credit to agricultural producers that qualify for the two programs noted in the bill under the US Department of Agriculture.					

State Agency Estimate							
State Agency Name: Department	of Revenue				Date Due LFO:		
Approved by: Tony Fulton		Date Prepared:	2/1/2021	Phone: 471-5896			
	FY 2021-2022		FY 2022-2023		FY 2023-2024		
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue	
General Funds	\$ 104,910	\$ (1,020,000)		\$ (3,071,000)		\$ (4,346,000)	
Cash Funds						-	
Federal Funds							
Other Funds							
Total Funds	\$ 104,910	\$ (1,020,000)		\$ (3,071,000)		\$ (4,346,000)	
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For taxable years beginning on or after January 1, 2022, LB 176 grants a \$2,500 nonrefundable credit against the income tax imposed by the Nebraska Revenue Act of 1967 to agricultural producers that qualify for the Conservation Stewardship Program or the Environmental Quality Incentives Program of the U.S. Department of Agriculture during the taxable year. The agricultural producer claims the credit in the taxable year it qualifies in a program and, if unable to be fully utilized, the credit may be carried forward to subsequent taxable years until fully utilized.

LB 176 defines an agricultural producer as any individual, corporation, partnership, limited liability company, trust, estate, or other entity that (i) is subject to the income tax imposed by the Nebraska Revenue Act of 1967, and (ii) is an owner of agricultural land and horticultural land in this state. Agricultural land and horticultural land has the same meaning as in Neb. Rev. Stat. § 77-1359.

DOR utilized data on the number of active participants for the Conservation Stewardship Program and the Environmental Quality Incentive Program of the U.S. Department of Agriculture to determine the population for the credit, which is approximately 2,000 agricultural producers. The Department also assumes approximately 45% of the credit will be used in the same tax year the credit is earned, and 55% will be carry over the following year. Based on these assumptions, LB 176 estimates LB 176 to have the following fiscal impact on the General Fund revenues:

FY2021-22	\$ (1,020,000)
FY2022-23	\$ (3,071,000)
FY2023-24	\$ (4,346,000)
FY2024-25	\$ (5,193,000)

LB 176 will require a one-time programming charge of \$104,910 paid to the OCIO to add a line to form 1040N, 1102N, 1041N and web development cost for NebFile.

Major Objects of Expenditure							
Class Code	Classification Title	21-22 <u>FTE</u>	22-23 <u>FTE</u>	23-24 <u>FTE</u>	21-22 Expenditures	22-23 Expenditures	23-24 Expenditures
Benefits							
Operating Costs	Operating Costs. \$104				\$ 104,910		
Capital Outlay.							
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Total				\$ 104,910			