

FISCAL NOTE
 LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2024-25		FY 2025-26	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS		(\$15,776,000)		(\$5,785,000)
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS		(\$15,776,000)		(\$5,785,000)

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

LB 1410 would make changes to the ImagiNE Nebraska Act.

The bill would make changes for the Modernization Level (\$50 million cumulative investment) so that applications must have been filed before January 1, 2024. The bill would reduce credit percentages for wage and investment credits under the Act for applications filed on or after January 1, 2024. These changes would result in an increase to General Fund revenues as shown in column 2 in the table below.

The bill would add an investment credit if a taxpayer attains a cumulative investment in qualified property of at least \$50 million at the qualified location or locations. The investment would also need to be at a qualified location or locations at which the majority of the business activities conducted are manufacturing (NAICS codes 31, 32, or 33, including pre-production services). Finally, the taxpayer would need to maintain 95% of statewide base-year employment. The taxpayer would be entitled to a credit equal to 3% of the investment made in qualified property at the qualified location or locations, provided that the average wage of employees at the qualified location or locations equals at least 100% of the Nebraska statewide average hourly wage for the year of application. This additional credit would decrease General Fund revenues as shown in column 3 of the table below.

The bill would allow wage and investment credits to be used to obtain a payment from the state equal to the amount which the taxpayer demonstrates was paid for child care for employees during the performance period and the carryover period. Employers could pay up to 50% of child care costs for employees using such credit. Additionally, the bill would allow investment credits to be used to obtain a payment from the state equal to the amount which the taxpayer demonstrates was paid for investment in workforce housing, as defined in section 81-1228, in the same county or counties as the qualified location or locations, except for counties that have a population of 100,000 or greater. These credits would result in a decrease in General Fund revenues as shown in column 4 below.

The Department of Revenue (DOR) estimates the impact to General Fund revenues as a result of this bill in the mentioned table below. The total estimated impact to General Fund revenues in the final column of the table is negative in initial years and becomes positive in later years.

Fiscal Year	Reducing Credit Rate and Eliminate Modernization Level	Investment Tier-Manufacturing	Housing and Child Care	Total
FY 24-25	\$0	\$0	(\$15,776,000)	(\$15,776,000)
FY 25-26	\$15,136,000	(\$2,275,000)	(\$18,646,000)	(\$5,785,000)
FY 26-27	\$22,515,000	(\$3,850,000)	(\$23,688,000)	(\$5,023,000)
FY 27-28	\$41,658,000	(\$6,300,000)	(\$29,681,000)	\$5,677,000
FY 28-29	\$61,991,000	(\$8,400,000)	(\$35,941,000)	\$17,650,000
FY 29-30	\$75,516,000	(\$9,800,000)	(\$35,931,000)	\$29,785,000
FY 30-31	\$83,723,000	(\$10,675,000)	(\$30,394,000)	\$42,654,000

The DOR estimates minimal costs to implement the bill.

The Department of Economic Development (DED) estimates that changes made in LB 1410 can be accomplished by DED with current resources.

There is no basis to disagree with these estimates.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 1410	AM:	AGENCY/POLT. SUB: Department of Revenue
REVIEWED BY: Neil Sullivan	DATE: 1/31/2024	PHONE: (402) 471-4179
COMMENTS: The Department of Revenue assessment of fiscal impact from LB 1410 appears reasonable.		

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 1410	AM:	AGENCY/POLT. SUB: Department of Economic Development
REVIEWED BY: Neil Sullivan	DATE: 1/30/2024	PHONE: (402) 471-4179
COMMENTS: The Department of Economic Development assessment of minimal fiscal impact from LB 1410 appears reasonable.		

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2024

LB⁽¹⁾ 1410

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Nebraska Department of Economic Development

Prepared by: ⁽³⁾ Dave Dearmont Date Prepared: ⁽⁴⁾ 1/26/24 Phone: ⁽⁵⁾ 402-471-3777

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2024-25</u>		<u>FY 2025-26</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	=====	=====	=====	=====

Explanation of Estimate:

LB1410 would make amend the Imagine Nebraska Act to add a new level for manufacturing productivity, eliminate the current Modernization level, expand the use of tax credits to include investment in workforce housing development, and payments made for employees' childcare expenses. In addition, for applications filed after January 1, 2024, the bill proposes to reduce Wage credits currently at 5%, 7% or 9% to 3%, 5%, or 7%, respectively, and reduce investment credits currently earned at 4% or 7% to 3% or 4%, respectively.

Given that the number of levels in the Imagine act will not be changed by the provisions of LB1410, and that Imagine currently contains limited provisions for DED to approve housing and childcare claims, the department believes that changes to the program contained in LB1410 can be accomplished with current resources.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2024-25 EXPENDITURES</u>	<u>2025-26 EXPENDITURES</u>
	<u>24-25</u>	<u>25-26</u>		
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____

LB 1410 allows the investment credit to be used to obtain a payment from the State equal to the amount the taxpayer paid for investment in workforce housing, as defined in Neb. Rev. Stat. § 81-1228, in the same county or counties as the qualified location(s), except for counties that have a population of 100,000 or greater.

LB 1410 carries an emergency clause.

It is estimated that LB 1410 will have the following fiscal impact to the General Fund revenues:

Fiscal Year	Reducing Credit Rate and Eliminate Modernization Tier	Investment Tier - Manufacturing	Housing and Childcare	Total
FY2024-25	\$0	\$0	(\$15,776,000)	(\$15,776,000)
FY2025-26	\$15,136,000	(\$2,275,000)	(\$18,646,000)	(\$5,785,000)
FY2026-27	\$22,515,000	(\$3,850,000)	(\$23,688,000)	(\$5,023,000)
FY2027-28	\$41,658,000	(\$6,300,000)	(\$29,681,000)	\$5,677,000
FY2028-29	\$61,991,000	(\$8,400,000)	(\$35,941,000)	\$17,650,000
FY2029-30	\$75,516,000	(\$9,800,000)	(\$35,931,000)	\$29,785,000
FY2030-31	\$83,723,000	(\$10,675,000)	(\$30,394,000)	\$42,654,000

It is estimated that the Department of Revenue will have minimal costs to implement LB 1410.