PREPARED BY: DATE PREPARED: PHONE: John Wiemer January 29, 2024 402-471-0051

LB 1318

Revision: 00

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		\$213,790,000		\$543,193,000		
CASH FUNDS						
FEDERAL FUNDS						
OTHER FUNDS						
TOTAL FUNDS		\$213,790,000		\$543,193,000		

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

LB 1318 would change the calculations for the amount of credits under the Nebraska Property Tax Incentive Act for school district taxes. The bill would make changes so that for taxable years beginning or deemed to begin during calendar year 2024 and each calendar year thereafter, the Department of Revenue (DOR) would set the credit percentage so that the total amount of credits for the taxable years would be the maximum amount of credits allowed in the prior year plus:

- In the case that the Cash Reserve Fund is less than \$500 million, 50% of the actual General Fund net receipts for the most recently completed fiscal year minus 103.5% of actual General Fund net receipts for the prior fiscal year; or
- In the case that the Cash Reserve Fund is \$500 million or more, actual General Fund net receipts for the most recently completed fiscal year minus 103.5% of actual General Fund net receipts for the prior fiscal year.

The bill would also eliminate the allowable growth percentage, and it being utilized to calculate credits under the Act.

As part of this bill, section 77-4602(4) is eliminated. This would remove the change to how Cash Fund Reserve transfers from the General Fund occur from FY24 and each fiscal year after. This could alter transfer amounts from the General Fund to the Cash Reserve Fund with this change but the impact is indeterminant at this time.

The DOR estimates the following increases to General Fund revenues based on an expectation the Cash Reserve Fund is to be above \$500 million and negative adjustments to the credits under the Act as a result of the calculations outlined in the bill:

- FY 24-25: \$213,790,000
- FY 25-26: \$543,193,000
- FY 26-27: \$676,489,000
- FY 27-28: \$702,160,000

The DOR estimates no cost to it to implement the bill.

There is no basis to disagree with these estimates.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE					
LB: 1318 AM: AGENCY/POLT. SUB: Department of Revenue					
REVIEWED	BY: Neil Sullivan	DATE: 1/29/2024	PHONE: (402) 471-4179		
COMMENTS: The Department of Revenue assessment of fiscal impact from LB 1318 appears reasonable.					

LB 1318 Fiscal Note 2024

State Agency Estimate							
State Agency Name: Department of	of Revenue				Date Due LFO:		
Approved by: James R. Kamm Date Prep		Date Prepared:	01/26/2024 Phone: 471-5896				
	FY 2024-2025		FY 2025-2026		FY 2026-2027		
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue	
General Funds		\$ 213,790,000		\$ 543,193,000		\$ 676,489,000	
Cash Funds							
Federal Funds					-		
Other Funds							
Total Funds		\$ 213,790,000		\$ 543,193,000		\$ 676,489,000	
					-		

LB 1318 changes the method of calculating the maximum amount the Property Tax Credit Fund under the Property Tax Credit Incentive Act for tax years beginning during calendar year 2024 and thereafter.

The maximum amount of credits for calendar years 2024 and after is change to total credits allowed for the prior year plus:

- a. If the balance of the Cash Reserve Fund is less than \$500 million 50% of the difference of actual General Fund net receipts for the most recently completed fiscal year minus 103.5% of actual General Fund net receipts for the prior fiscal year, or;
- b. If the balance of the Cash Reserve Fund is \$500 million or more the difference of actual General Fund net receipts for the most recently completed fiscal year minus 103.5% of actual General Fund net receipts for the prior fiscal year.

LB 1318 eliminates the allowable growth percentage calculation that was previously used in the calculation of 2024 through 2028 and eliminates the end date of 2028 for the calculation of the credit.

LB 1318 also eliminates section 77-4602(4) which deals with the transfer to the Cash Reserve Fund.

Under the current General Fund financial status, the cash reserve is expected to be above \$500 million. It is estimated that LB 1318 would result in the following General Fund revenue increases due to negative adjustments calculated for the maximum Property Tax Credit Incentive Act credits.

Fiscal Year	General Fund				
1 1SCal 1 Cal	revenues				
FY2024-25	\$ 213,790,000				
FY2025-26	\$ 543,193,000				
FY2026-27	\$ 676,489,000				
FY2027-28	\$ 702,160,000				

It is estimated that there will no cost to the Department of Revenue to implement LB 1318.

Major Objects of Expenditure							
Class Code	Classification Title	24-25 <u>FTE</u>	25-26 <u>FTE</u>	26-27 <u>FTE</u>	24-25 Expenditures	25-26 Expenditures	26-27 Expenditures
Benefits							
Operating Costs	Operating Costs.						
Travel							
Capital Improvements	Capital Improvements						
Total							