

**FISCAL NOTE**  
 LEGISLATIVE FISCAL ANALYST ESTIMATE

<b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES</b> (See narrative for political subdivision estimates)				
	<b>FY 2015-16</b>		<b>FY 2016-17</b>	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$625,333	\$0	\$407,713	(\$206,310,000)
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
<b>TOTAL FUNDS</b>	<b>\$625,333</b>	<b>\$0</b>	<b>\$407,713</b>	<b>(\$206,310,000)</b>

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

LB 186 creates the Property Tax Circuit Breaker Act, and provides for a refundable income tax credit available to Nebraska residential property owners and renters.

Eligibility and the amount of the income tax credit is to be determined by the Department of Revenue based on information provided by the taxpayer. Eligibility also requires the taxpayer to have resided at the property described in their application for the credit for at least six months during the tax year. After the Department of Revenue has determined eligibility and the amount of the credit, they shall issue the taxpayer a certificate stating the amount of the credit. When claiming the credit, the taxpayer shall attach the certificate to a form developed by the Department.

A taxpayer who rents property that is owned by a tax-exempt charitable organization or is exempt from property taxation is not eligible for the income tax credit.

The amount of the credit is determined as follows:

For a taxpayer who paid property taxes on their principal residence or paid rent to occupy their principal place of residence the credit is equal to:

- >Amount of property taxes paid OR 20% of rent paid minus:
  - >1% of taxpayers AGI if:
    - >AGI is \$6,000 or less (married filing jointly)
    - >AGI is \$3,000 or less (all other returns)
    - >Credit not to exceed \$1,200
  - >2% of taxpayers AGI if:
    - >AGI is greater than \$6,000 but less than or equal to \$36,000 (married filing jointly)
    - >AGI is greater than \$3,000 but less than or equal to \$18,000 (all other returns)
    - >Credit not to exceed \$900
  - >3% of taxpayers AGI if:
    - >AGI is greater than \$36,000 but less than or equal to \$58,000 (married filing jointly)
    - >AGI is greater than \$18,000 but less than or equal to \$29,000 (all other returns)
    - >Credit not to exceed \$600
  - >4% of taxpayers AGI if:
    - >AGI is greater than \$58,000 but less than or equal to \$116,000 (married filing jointly)
    - >AGI is greater than \$29,000 but less than or equal to \$58,000 (all other returns)
    - >Credit not to exceed \$300

The bill has an operative date of January 1, 2016.

The Department of Revenue estimates the following fiscal impact to the General Fund as a result of LB 186:

FY2015-16:	\$	0
FY2016-17:	(\$	206,310,000)
FY2017-18:	(\$	208,540,000)
FY2018-19:	(\$	215,120,000)

The Department of Revenue indicates they will require a one-time programming charge of \$73,221 paid to the Office of the CIO for mainframe and web development changes. They will also need to hire contractors to develop the database necessary to validate property tax payments. The Office of the CIO estimates the costs of hiring those contractors at \$378,000 for an 18-month period. The Department would also need to hire 1.0 FTE Senior Application Developer for ongoing maintenance costs associated with LB 186, 2.0 FTE Revenue Operations Clerks II, 0.5 FTE Revenue Agent, and 1.5 FTE Office Clerk III to process the expected large volume of applications necessary to qualify for the credit.

We have no basis to disagree with the Department of Revenue's estimate of fiscal impact or cost.

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES			
LB: 186	AM:	AGENCY/POLT. SUB: NE. Association of County Officials (NACO)	
REVIEWED BY: Lyn Heaton		DATE: 1/27/2015	PHONE: 471-4181
COMMENTS: Concur. No fiscal impact on counties.			

**State Agency Estimate**

State Agency Name: Department of Revenue		Date Due LFA: 1/28/2015				
Approved by: Len Sloup		Phone: 471-5896				
Date Prepared: 01/28/2015						
<b>FY 2015-2016</b>		<b>FY 2016-2017</b>		<b>FY 2017-2018</b>		
Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue	
General Funds	\$625,333	\$0	\$407,713	\$(206,310,000)	\$288,475	\$(208,540,000)
Cash Funds						
Federal Funds						
Other Funds						
<b>Total Funds</b>	<b>\$625,333</b>	<b>\$0</b>	<b>\$407,713</b>	<b>\$(206,310,000)</b>	<b>\$288,475</b>	<b>\$(208,540,000)</b>

LB 186 provides a refundable tax credit to resident and partial year resident individuals based on property taxes paid on the taxpayer’s principal residence or a portion of rent paid by a taxpayer on his or her principal residence.

The calculation of the credit begins with property taxes paid by the taxpayer on his or her principal residence during the taxable year the credit is claimed. If the taxpayer rents his or her principal residence, property taxes paid during the year are assumed to be 20% of the rent paid. This amount is reduced by 1% of the taxpayer’s FAGI (for a married, filing jointly return) if FAGI is less than \$6,000, with a maximum credit of \$1,200; 2% of FAGI if it is between \$6,000 and \$36,000 with a maximum credit of \$900; 3% of FAGI if it is between \$36,000 and \$58,000 with a maximum credit of \$600; and 4% of FAGI if it is between \$58,000 and \$116,000, with a maximum credit of \$300. For taxpayers filing a return other than a married, filing jointly return, these ranges are \$0 to \$3,000; \$3,000 to \$18,000; \$18,000 to \$29,000; and \$29,000 to \$58,000.

The taxpayer is to apply for the credit on a form developed by the Department, which must include the address, the amount of property taxes or rent paid, the taxpayer’s FAGI for the year, and other information required by the Department. If the taxpayer has resided at the property for at least six months of the taxable year, the Department is to grant the application and issue a certification of the credit amount. LB 186 provides that the taxpayer is to claim the credit by filing a different form and attaching the certification.

Any taxpayer who rents property from an entity that is exempt from property taxes is ineligible for the credit. LB 186 is operative for all taxable years beginning or deemed to begin on or after January 1, 2016.

**Major Objects of Expenditure**

Class Code	Classification Title	15-16	16-17	17-18	15-16	16-17	17-18
		FTE	FTE	FTE	Expenditures	Expenditures	Expenditures
A07012	IT Application Developer Senior	1.0	1.0	1.0	\$62,558	\$64,059	\$65,597
X29222	Revenue Agent	0.5	0.5	0.5	\$16,893	\$17,298	\$17,713
R29112	Revenue Operations Clerk II	2.0	2.0	2.0	\$72,800	\$74,547	\$76,336
S01113	Office Clerk III	1.5	1.5	1.5	\$54,600	\$55,910	\$57,252
Benefits.....					\$68,261	\$69,899	\$71,577
Operating Costs.....					\$325,221	\$126,000	\$0
Travel.....							
Capital Outlay.....					\$25,000	\$0	\$0
Aid.....							
Capital Improvements.....							
<b>Total.....</b>					<b>\$625,333</b>	<b>\$407,713</b>	<b>\$288,475</b>

The estimated total reduction to the General Fund would be as follows:

FY 2015-2016	\$	0
FY 2016-2017	\$	206,310,000
FY 2017-2018	\$	208,540,000
FY 2018-2019	\$	215,120,000

LB 186 will require a one-time programming charge of \$73,221 paid to the OCIO for mainframe and web development changes. The Department would need to hire several contractors to develop the database necessary to validate property tax payments. The OCIO estimates the costs of hiring those contractors would be \$378,000 for an 18-month period. The estimate includes 1.0 Senior IT Business Analyst Contractor and 1.0 Senior IT Application Developer Contractor (listed as Operating Costs on table below). The Department would also need to hire 1.0 FTE Senior Application Developer for ongoing maintenance costs associated with the program, 2.0 FTE Revenue Operations Clerks II, 0.5 FTE Revenue Agent, and 1.5 FTE Office Clerk III to process the large volume of applications necessary to qualify for the credit.

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**2015**

**LB<sup>(1)</sup> 186**

**FISCAL NOTE**

State Agency OR Political Subdivision Name: <sup>(2)</sup>

Nebraska Association of County Officials (NACO)

Prepared by: <sup>(3)</sup> Elaine Menzel

Date Prepared: <sup>(4)</sup> 1/14/2015

Phone: <sup>(5)</sup> 402-434-5660

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2015-16</u>		<u>FY 2016-17</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:

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2015-16</u>	<u>2016-17</u>
	<u>15-16</u>	<u>16-17</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....			_____	_____
Operating.....			_____	_____
Travel.....			_____	_____
Capital outlay.....			_____	_____
Aid.....			_____	_____
Capital improvements.....			_____	_____
TOTAL.....			_____	_____

LB 186 would adopt the Property Tax Circuit Breaker Act. There is no known visible fiscal impact to counties as a result of this legislative proposal.