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DATE PREPARED: May 05, 2015
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LB 259

Revision: 01

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

Revised due to adoption of amendments.

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)

	FY 2015-16		FY 2016-17	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	$36,120		$19,600,000	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	$36,120		$19,600,000	

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

LB 259, as amended by AM1252 (as amended by FA58), creates the Personal Property Tax Relief Act.

The bill provides for an exemption from the property tax on the first $10,000 of valuation of tangible personal property in each tax district in which a personal property tax return is required to be filed.

Tax district is defined in Section 77-127 and means, “an area within a county in which all of the tangible property is subject to property taxes at the same consolidated property tax rate.”

In addition, the bill, as amended, creates a compensating exemption factor for companies that are centrally assessed by the state to be used in determining the tax exemption for those companies. The factor is a fraction of which the numerator is the total amount of locally assessed tangible personal property less the total amount of exemption allowed and the denominator is the value of locally assessed tangible personal property. The taxable amount for each centrally assessed company is the result of multiplying each such company’s tangible personal property subject to the tax by the compensating exemption factor.

On or before November 30 of each year, each county treasurer shall certify to the Tax Commissioner the total locally-assessed tax revenue lost to all taxing subdivisions within the county due to the exemption provided for in LB 259. The state shall reimburse each county from the General Fund for funds lost due to the exemption for both the locally-assessed taxes and the centrally assessed companies. The county treasurer shall keep 1% of the amount received from the state for deposit to the county general fund. The reimbursement shall be made in two equal installments on the last business days of February and June.

By July 20 of each year each county assessor is to prepare an abstract of the property assessment rolls of locally assessed personal property on forms prescribed and furnished by the Tax Commissioner and to electronically file the abstract with the Property Tax Administrator.

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

The Department of Revenue estimates the following fiscal impact to the General Fund as an expenditure:

FY2015-16:	$ 0
FY2016-17:	$ 19,600,000
FY2017-18:	$ 20,000,000
FY2018-19:	$ 20,800,000

The Department of Revenue indicates they will incur $36,120 of programming costs to implement LB 259, as amended.

We have no basis to disagree with the Department of Revenue’s estimate of expenditure and cost.

LB 259 AM 1252 — Fiscal Note 2015

State Agency Estimate

State Agency Name: Department of Revenue				Date Due LFA:	5/4/2015	
Approved by: Len Sloup	Date Prepared:	5/1/2015		Phone: 471-5896		

	FY 2015-2016		FY 2016-2017		FY 2017-2018	
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue
General Funds	$ 36,120		$ 19,600,000		$ 20,000,000	
Cash Funds						
Federal Funds						
Other Funds						
Total Funds	$ 36,120		$ 19,600,000		$ 20,000,000	

AM 1252 replaces the original sections and becomes the bill. The amendment provides a personal property tax exemption for the first $10,000 of a taxpayer's tangible personal property (TPP) in each tax district as defined in Nebr. Rev. Stat. § 77-127. Failure to report TPP on the personal property return will result in a forfeiture of the exemption.

The calculation of a compensating exemption factor for companies that are assessed by the state (centrally assessed companies) is required. This factor is a fraction of which the numerator is the total amount of locally assessed TPP less the total amount of exemptions allowed and the denominator is the value of locally assessed TPP. The taxable TPP for each centrally assessed company is the result of multiplying each company's TPP subject to tax by the compensating exemption factor.

On or before November 30 each year, the county treasurer must certify to the Tax Commissioner the amount of locally-assessed taxes lost due to the exemption. On or before January 1, the Tax Commissioner must certify the amounts approved for each county to be reimbursed by the State. The amount to be reimbursed includes both the amounts certified by the Tax Commissioner and the amounts not assessed or collected from centrally-assessed taxpayers due to the compensating exemption factor. The amounts certified will be distributed by the State Treasurer in two equal payments on the last business days of February and June.

The county assessor must prepare and electronically file an abstract of the property assessment rolls of locally assessed personal property with the Property Tax Administrator on or before July 20.

Assuming a statewide compensation ratio of 91%, the estimated expenditures from the General Fund would be as follows:

Fiscal Year	General Fund Expenditure
2015-16	$0
2016-17	$ 19,600,000
2017-18	$ 20,000,000
2018-19	$ 20,800,000

It is estimated that there will be a cost of $36,120 to the Department for program development by the OCIO.

It is estimated that any negative impact to cash funds collected by the Department will be minimal.

Major Objects of Expenditure

Class Code	Classification Title	15-16 FTE	16-17 FTE	17-18 FTE	15-16 Expenditures	16-17 Expenditures	17-18 Expenditures
Benefits							
Operating Costs					$ 36,120		
Travel							
Capital Outlay							
Aid							
Capital Improvements							
Total					$ 36,120		