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DATE PREPARED: May 21, 2019
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# LB 470

**Revision: 02**

# FISCAL NOTE

**LEGISLATIVE FISCAL ANALYST ESTIMATE**

Revised due to adoption of amendments on Select File

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

| | FY 2019-20 | | FY 2020-21 | |
|---|---|---|---|---|
| | EXPENDITURES | REVENUE | EXPENDITURES | REVENUE |
| GENERAL FUNDS | | | | |
| CASH FUNDS | $59,188 | | | |
| FEDERAL FUNDS | | | | |
| OTHER FUNDS | | | | |
| TOTAL FUNDS | $59,188 | | | |

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

As amended on Select File, LB 470 amends provisions related to educational savings plan trust accounts (NEST accounts) and creates a personal property tax exemption. LB 470 includes provisions of LB 444 and 545.

<u>NEST Accounts</u>: As amended on Select File, the bill allows a reduction in an individual's adjusted gross income for contributions made by an individual's employer to a NEST account, not to exceed $5,000 per married filing separate return or $10,000 for any other return.

The bill clarifies that government programs administered by any state agency providing benefits based on financial need, except as provided for in federal law, must not take into account contributions made to a participant's account by a participant's employer in determining the income of the participant.

The provisions related to NEST accounts are operative January 1, 2020.

The Department of Revenue has not responded to a fiscal note request to amendments adopted on Select File. However, based upon correspondence with the department, the General Fund revenue loss from the bill is estimated to be minimal.

<u>Property Tax Exemption</u>: The bill redefines "tangible personal property" to include a dwelling complex and relating amenities located on a United States Department of Defense military installation if certain conditions are met. LB 470 also redefines "real property" to exclude such dwelling complexes.

Dwelling complexes meeting the requirements are exempt from personal property tax upon application to the county assessor but are required to make in lieu of tax payments. The amount of the exemption is reduced by the percentage of the unoccupied units in the complex as of January 1 of each year. LB 470 provides for processes to (1) adjust the percentage of the exemption and (2) determine the value of the property for purposes of determine the in lieu of tax payments by the county board of equalization. The bill also provides for appeals to the Tax Equalization and Review Commission.

Owners of any dwelling complex receiving the exemption must make payments in lieu of taxes as follows:

- 100% of the real property taxes that would have been paid if the dwelling complex would have been treated as real property to the local school district where the complex is located;
- 5% of the real property taxes that would have been paid to political subdivisions other than the local school district if the dwelling complex would have been treated as real property to the county where the complex if located to be allocated to the county general fund, which the county board can vote to waive; and
- 95% of the real property taxes that would have been to political subdivisions other than the local school district if the dwelling complex would have been treated as real property to an infrastructure maintenance trust fund to be used exclusively for the costs of capital repairs, replacements, maintenance, and improvement of the complex.

Owners must file a certificate of compliance with infrastructure maintenance trust fund requirements by January 31 each year with the Department of Revenue. Upon failure to comply, the department must notify the Attorney General, who can audit the fund at the cost of the owner.

The provisions relating to the exemption are operative three months after adjournment.

The personal property tax exemption could result in a loss of property tax revenue to political subdivisions, other than schools, where the dwelling complexes are located because of the reduction in valuation for purposes of property tax.

Additionally, there would be an increase in state General Fund expenditures pursuant to TEEOSA to equalized districts due to the loss of valuation. Assuming the valuation loss is approximately $60 million per year beginning with the 2020 tax year valuation, the total expenditure would be $600,000 in FY 21-22. Thereafter, we assume the payments in lieu of tax offset the yield from the local effort rate.

Administration:

The State Treasurer estimates the agency can implement the bill with existing staff.

The Department of Revenue has not responded to a fiscal note request to amendments adopted on Select File. However, based upon correspondence with the department, it is estimated that the administrative costs to implement the bill will be a one-time charge of $59,188 to OCIO for programming costs. As amended on Select File, the bill provides for a transfer from the College Savings Expense Fund to the Department of Revenue Miscellaneous Receipts Fund to defray costs of implementation.

**Please complete ALL (5) blanks in the first three lines.** **2019**

**LB**(1) 470, AM896 & AM1461 **FISCAL NOTE**

State Agency OR Political Subdivision Name: (2) State Treasurer

Prepared by: (3) Tyson Larson Date Prepared: (4) 4/30/19 Phone: (5) (402) 471-1234

**ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION**

| | FY 2019-20 | | FY 2020-21 | |
|---|---|---|---|---|
| | EXPENDITURES | REVENUE | EXPENDITURES | REVENUE |
| GENERAL FUNDS | | | | |
| CASH FUNDS | | | | |
| FEDERAL FUNDS | | | | |
| OTHER FUNDS | | | | |
| TOTAL FUNDS | | | | |

**Explanation of Estimate:**

No Fiscal Impact to the State Treasurer's office. The Treasurer's office does not expect to have any fiscal impact with the implementation of LB470 as amended by AM896 & AM1461. Any extra work that LB470 may incur will easily be able to be absorbed by current staff.

As amended LB470 has 4 major provisions:

1) Not charging income tax on contributions received from others. We have never received any information from the Department of Revenue that they are currently charging income tax on contributions. Since we are codifying current practice, there is no fiscal impact on this portion.

2) Individuals cannot lose state aid benefits because of contributions into a 529. We have never received any information from the Department of Health & Human Services that they are currently charging income tax on contributions. Again, this is codifying current practice. Since we are codifying current practice, there is no fiscal impact on this portion.

3) Allows anyone to claim a tax deduction for contributing to a 529 even if they aren't the account owner. Currently anyone can open an account, contribute, and claim the tax benefits. LB470 streamlines the process and eliminates the number of accounts that need to be opened for each beneficiary. It is reasonable to believe that there will be the same amount of contributions into a 529 account, but those contributions will just be made more efficiently for the account beneficiary and there should not be a fiscal impact associated with this provision.

4) With AM1461, a version of Senator McDonnell's LB444 was amended into LB470. This provision has no cost to the State Treasurer's office and appears that it should not impact the State's General Fund.

**BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE**

**Personal Services:**

| POSITION TITLE | NUMBER OF POSITIONS 19-20 | 20-21 | 2019-20 EXPENDITURES | 2020-21 EXPENDITURES |
|---|---|---|---|---|
| | | | | |
| | | | | |
| Benefits………………………………..…… | | | | |
| Operating…………………………...………. | | | | |
| Travel……………………………………….. | | | | |
| Capital outlay…………………...………….. | | | | |

| | | |
|---|---|---|
| **Aid**…………………………………………… | __________ | __________ |
| **Capital improvements**……………………… | __________ | __________ |
| **TOTAL**………………………………… | __________ | __________ |