

Revised due to adoption of amendments on General File

**FISCAL NOTE**  
**LEGISLATIVE FISCAL ANALYST ESTIMATE**

<b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)</b>				
	<b>FY 2019-20</b>		<b>FY 2020-21</b>	
	<b>EXPENDITURES</b>	<b>REVENUE</b>	<b>EXPENDITURES</b>	<b>REVENUE</b>
GENERAL FUNDS				
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS				

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

LB 512 amends revenue and tax provisions regarding administration of tax programs. The bill:

- Outright repeals section 66-738 to eliminate the Motor Fuel Tax Enforcement and Collection Division, changes references to the Division within the motor fuel statutes to the Department of Revenue, and harmonizes provisions;
- Requires the list of real property exemptions from each county to be sent electronically to the Property Tax Administrator on or before November 1 of each year;
- Specifies that contingency fee contracts for collection of delinquent taxes are not subject to the requirements of sections 77-203 or 77-204 for contracts in excess of \$25,000;
- Eliminates certain requirements that the Property Tax Administrator adopt and promulgate rules and regulations prior to 2007;
- Eliminates an annual certification requirement from the Tax Commissioner to the Director of Administrative Services for the personal property tax exemption;
- Clarifies that the personal exemption credit levels for qualifying widows or widowers for tax years beginning on or after January 1, 2018;
- Amends filing requirements for pass-through entities with income from Nebraska sources, for tax years beginning on or after January 1, 2019;
- Provides that a notice of deficiency regarding a pass-through entities is binding on the partners, members, shareholders, or beneficiaries;
- Eliminates the annual certification requirement of 100% disability status to qualify for the homestead exemption for certain claimants;
- Defines prosthetic device for purposes of the homestead exemption for disabled persons;
- Provides for a deadline of June 30 for a complainant to file if an application for a homestead exemption was rejected on the basis of value, which may be extended to July 20 by the county board of equalization;
- Eliminates the requirement to adopt and promulgate rules and regulations regarding the Employment and Investment Growth Act; and
- Eliminates the requirement to adopt and promulgate rules and regulations regarding nameplate capacity tax.

As amended, the bill contains the provisions of LB 482, which provides for a procedure to reassess real property that is destroyed by fire or other natural disaster on or after January 1 and before October 1 of any year upon a report of destroyed property from the county assessor to the county board of equalization.

The adjusted value of the real property is the sum of the following three factors:

- The assessed value of the property before it became destroyed multiplied by a percentage representing the portion of the year during which the property was intact and not yet destroyed;
- The assessed value of the property as of the date of its destruction multiplied by a percentage representing the portion of the year during which the property as destroyed and no replacement property as yet been completed; and
- The assessed value of any replacement property as of the date of construction of such replacement property multiplied by a percentage representing the portion of the year during which construction of such property was complete.

The bill also provides a timetable for notice, decision, and appeals. The action of the county board may be appealed to the Tax Equalization and Review Commission. The provisions of LB 482 replace the provisions in the original bill relating to reassessment of property destroyed or damaged by major calamity.

The bill contains the emergency clause. The provisions relating to the personal exemption credit and filing requirements for pass-through entities have specific operative dates.

The Department of Revenue estimates no impact to General Fund revenues and no cost to implement this bill.

The provisions related to reassessment of property tax valuation if property is destroyed could have an impact on property tax revenue to political subdivisions. However, it is not possible to estimate the amount because the number of parcels affected, the concentration of those parcels in any particular taxing district, and the extent of the change in value as calculated by the factors in the bill are all unknown.

The reassessment provisions in LB 512 could also increase the amount necessary to fund state aid pursuant to the Tax Equity and Education Opportunities Support Act formula, increasing General Fund expenditures. It is not possible to determine the amount.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB: 512 (NACO)	AM: 423, 1217	AGENCY/POLT. SUB: Nebraska Association of County Officials	
REVIEWED BY: Lee Will	DATE: 4/12/2019	PHONE: (402) 471-4175	
COMMENTS: No basis to disagree with NACO's assessment of fiscal impact to Nebraska counties.			

**State Agency Estimate**

State Agency Name: Department of Revenue		Date Due LFA:			
Approved by: Tony Fulton		Phone: 471-5896			
Date Prepared:					
FY 2019-2020		FY 2020-2021		FY 2021-2022	
Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue
General Funds	\$0		\$0		\$0
Cash Funds					
Federal Funds					
Other Funds					
<b>Total Funds</b>	<b>\$0</b>		<b>\$0</b>		<b>\$0</b>

AM 1217 to LB 512 retains the entire bill after the committee amendment, AM 423, and adds three new sections requiring the county assessor to identify and report to the county board of equalization real property that is destroyed by fire or other natural disaster.

As amended, LB 512:

Sections 1 to 9 and 32 repeals Neb. Rev. Stat. § 77-738 and harmonizes nine sections within the motor fuels tax statutes to reflect this outright repeal. Neb. Rev. Stat. § 77-738 creates the Motor Fuel Tax Enforcement and Collection Division within the Department of Revenue. Repeal of the section allows auditors and collections personnel to work on more than one tax program and creates efficiencies within the Department. The harmonizing sections generally strike references to the Motor Fuel Tax Enforcement and Collection Division or replaces it with the Department of Revenue.

Section 10 incorporates a new section 11 into property tax definitions.

Section 11 defines destroyed real property as property destroyed by fire or a natural disaster on or after January 1, and before October 1 of any year.

Section 12 requires the county assessor to report to the county board of equalization all real property in the county that becomes destroyed. The county board is to re-assess the property pursuant to section 13 and the county assessor is to correct the assessment rolls accordingly.

Section 13 requires the county board of equalization to adjust the value of property that is destroyed, as reported by the county assessor. The value will be adjusted to reflect the average of the pre-destruction value, the post destruction value, and the rebuild value (if any), with all three values weighted by the proportion of the year spent in each state. The county board is to give notice of the adjusted value and there is a right to protest. Appeals are to the Tax Equalization and Review Commission.

Section 14 amends Neb. Rev. Stat. § 77-202.03 to require the list of real property exemptions to be submitted to the Department electronically.

Section 15 amends Neb. Rev. Stat. § 77-377.02 to provide that contingency fee contracts with collection agencies to collect delinquent taxes do not need to meet the requirements of Neb. Rev. Stat. §§ 73-203 or 73-204. These contracts are required by Neb. Rev. Stat. § 77-377.02 to be extended on a contingent fee basis.

Section 16 removes obsolete language from Neb. Rev. Stat. § 77-702.

Section 17 amends the personal property tax exemption/credit section (Neb. Rev. Stat. § 77-1239) to strike unnecessary certifications by the Property Tax Administrator to the Department of Administrative Services.



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**2019**

**LB**<sup>(1)</sup> LB 512 as amended by AM 423 AM1217

**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> 4/9/2019 Phone: <sup>(5)</sup> (402) 434.5660

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

	<u>FY 2019-20</u>		<u>FY 2020-21</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:

LB 512 as amended by AM 423 AM 1217 provides a duty for the county assessor to report to the county board of equalization if real property is destroyed by fire or other natural disaster after January 1 and before October 1 of any year. The county board of equalization decision shall be made in accordance with a formula spelled out in the legislation.

The fiscal impact to Nebraska counties is unknown because the quantity of destroyed real properties that would be eligible for such an adjustment is unquantifiable at this time. However, it is anticipated the impact may be significant to a county or counties.

**BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE**

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2019-20</u>	<u>2020-21</u>
	<u>19-20</u>	<u>20-21</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____