

Revised due to adoption of amendments on Select File

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

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

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 on Select File, the bill provides for a procedure to reassess “destroyed real property,” which is property that suffers significant damage as a result of a calamity after January 1, 2019, and before July 1, of the current assessment year, upon a report from the property owner to the county assessor and county clerk. “Calamity” is defined as a disastrous event, including, but not limited to, a fire, an earthquake, a flood, a tornado, or other natural event which significantly affects the assessed value of real property.

“Significant property damage” means:

- Damage to an improvement exceeding 20% of the assessed value in the current tax year as determined by the county assessor;
- Damage to land exceeding 20% of the assessed value in the current years as determined by the county assessor; or
- Damage exceeding 20% of the assessed value in the current years as determined by the county assessor if (1) the property is located in an area declared a disaster area by the Governor, and (2) a housing or health inspector determined the property is uninhabitable or unlivable.

Owners of mobile homes subject to an accelerated tax can request a refund for the portion of value reduced by the county board of equalization.

The bill also provides a timetable for notice, decision, and appeals. The action of the county board of equalization may be appealed to the Tax Equalization and Review Commission.

As amended, LB 512 also excludes property considered destroyed real property from certain statutory requirements for county treasurers regarding delinquent taxes and provides for refunds for accelerated taxes adjusted by the county board of equalization.

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 due to destroyed real property 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 damage to parcels of property exceeding 20% are all unknown.

The reassessment provisions in LB 512 could increase the amount necessary to fund state aid pursuant to the Tax Equity and Education Opportunities Support Act formula. It is not possible to determine the reduction in assessed valuation or the resulting increase in TEEOSA expenditures.

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2019

LB⁽¹⁾ LB 512 amended by proposed AM 1755

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Nebraska Association of County Officials (NACO)

Prepared by: ⁽³⁾ Elaine Menzel Date Prepared: ⁽⁴⁾ 5/17/2019 Phone: ⁽⁵⁾ (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 proposed to be amended by AM 1755, would permit a real property owner whose property becomes destroyed on or before July 1 of the current assessment year to file a report of the destroyed property by July 15 of that year. Provisions are also made pertaining to destroyed real property that was a mobile home. If the county board of equalization receives a report of destroyed property, it shall adjust the assessed value of the destroyed real property to its assessed value on the date it suffers significant property damage.

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. The impact would depend on the severity of the event in terms of the damage caused relative to the county's tax base.

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.....	_____	_____	_____	_____

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					
Total Funds	\$0		\$0		\$0

AM1755 to LB512 provides for assessed valuation of property destroyed by calamity after January 1 and before July 1 to be adjusted to its assessed value after suffering significant property damage. AM1755 amends Neb. Rev. Stat. § 77-1301 to allow for the assessed value of a destroyed real property to be adjusted on a date other than January 1.

AM1755 defines a calamity as disastrous, natural event including, but not limited to a fire, an earthquake, a flood, or tornado that significantly affects the assessed value of real property. AM1755 defines destroyed real property as real property that suffers significant property damage caused by a calamity and excludes property damaged caused by the owner. AM1755 defines significant property damage as damage exceeding 20% of an improvement’s assessed value, a parcel’s land value, or, if the property is in an area declared a disaster area by the Governor and has been deemed uninhabitable by a health inspector, 20% of the property’s assessed value.

AM1755 requires the owner of real property that becomes destroyed real property to file a report of the destroyed property with the county assessor and the county clerk on or before July 15 of the current assessment year on a form prescribed by the Tax Commissioner. When the destroyed real property is a mobile home, the owner may request a refund of any accelerated tax paid in excess of the tax owed after the value of the destroyed property has been reduced.

AM1755 directs county boards of equalization (CBOEs) to consider reports of destroyed property in adjusting the assessed value of the destroyed real property to its value on the date it suffers significant property damage. CBOEs may meet between June 1 and July 25 to consider the assessed value of destroyed property and any adjustments made are limited to the current assessment year. AM1755 provides for notice of the adjusted assessed value of the destroyed real property and provides a mechanism for the property owner to protest a CBOE’s decision and to appeal to TERC within 30 days after the board’s final decision.

AM1755 amends Neb. Rev. Stat. § 77-1725.01 to except destroyed property from the requirement that the county treasurer issue a distress warrant and proceed with the immediate collection of delinquent and current taxes when real property is removed or demolished.

AM1755 amends Neb. Rev. Stat. § 77-1734.01 to allow and direct the county treasurer, upon written request, to refund accelerated tax paid for real property that was subsequently adjusted by the CBOE due to the property being destroyed property.

It is estimated that this bill will have no impact on General Fund revenues.

It is estimated that there will be minimal costs to the Department to implement this bill.

This bill contains an emergency clause and becomes law upon enactment.

Major Objects of Expenditure							
Class Code	Classification Title	19-20	20-21	21-22	19-20	20-21	21-22
		FTE	FTE	FTE	Expenditures	Expenditures	Expenditures
	Benefits.....						
	Operating Costs.....						
	Capital Outlay.....						
	Total.....						