

Revised to include county response

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

<b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)</b>				
	<b>FY 2022-23</b>		<b>FY 2023-24</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.**

AM 635 was adopted on General File, which replaces the bill.

LB 310 AM 635 seeks to change the inheritance tax in Nebraska. LB 310 AM 635 increases the amount that can be received before paying inheritance tax, and decreases the rate for certain beneficiaries.

AM 635 exempts beneficiaries under the age of 22 from paying inheritance tax. For other beneficiaries, the tax is as follows:

For those receiving property and are related to the deceased as a parent, grandparent, spouse, child, or legally adopted child:

- Prior to Jan 1, 2022: 1% collected on the market value of property received by each person in excess of \$40,000
- On or After Jan 1, 2022: 1% collected on the market value of property received by each person in excess of \$100,000

For those receiving property and are related to the deceased as an uncle, aunt, niece, or nephew:

- Prior to Jan 1, 2022: 13% collected on the market value of property received by each person in excess of \$15,000
- On or After Jan 1, 2022: 11% collected on the market value of property received by each person in excess of \$40,000

In all other cases where beneficial interests are received:

- Prior to Jan 1, 2022: 18% collected on the market value of beneficial interests received by each person in excess of \$10,000
- On or After Jan 1, 2022: 15% collected on the market value of beneficial interests received by each person in excess of \$25,000

LB 310 would become operative three months after adjournment.

AM 635 also requires county treasurers to submit an annual report regarding inheritance tax revenue to the Department of Revenue.

The Department of Revenue expects no fiscal impact to the General Fund or to the Department as a result of LB 310. There is no basis to disagree with this estimate.

The Nebraska Association of County Officials (NACO) estimates significant revenue loss to counties. Each county will see different fiscal impacts, but a survey of 14 counties, excluding Lancaster and Douglas, shows a \$90,700 revenue loss for each observed county under LB 310 AM 635. NACO projects administrative costs could increase due to the need to report the age of beneficiaries. There is no basis to disagree with these estimates.

The impact to more populous counties is expected to be larger. Douglas County estimates an annual loss of around \$2 million annually due to LB 310 AM 635. There is no basis to disagree with this estimate.

CONTINUED

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 310	AM: 635	AGENCY/POLT. SUB: Department of Revenue
REVIEWED BY: Neil Sullivan	DATE: 1/19/2022	PHONE: (402) 471-4179
COMMENTS: Concur with the Department of Revenue assessment of no fiscal impact from LB 310 as amended by AM 635.		

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 310	AM: 635	AGENCY/POLT. SUB: Nebraska Association of County Officials (NACO)
REVIEWED BY: Neil Sullivan	DATE: 1/13/2022	PHONE: (402) 471-4179
COMMENTS: No basis to disagree with the NACO's assessment of fiscal impact related to the reduction in inheritance taxes collected by the counties.		

**State Agency Estimate**

State Agency Name: Department of Revenue Date Due LFO:  
 Approved by: Tony Fulton Date Prepared: 1/18/2022 Phone: 471-5896

	<u>FY 2022-2023</u>		<u>FY 2023-2024</u>		<u>FY 2024-2025</u>	
	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>
General Funds		\$ 0		\$ 0		\$ 0
Cash Funds						
Federal Funds						
Other Funds						
<b>Total Funds</b>		<b>\$ 0</b>		<b>\$ 0</b>		<b>\$ 0</b>

LB 310, with the Revenue Committee amendment, AM 635, would increase the exemption amounts or reduce the inheritance tax rates for inheritances from decedents dying on or after January 1, 2022 as follows:

Relationship to decedent	Current exemption amount	AM 635 exemption amount	Current rate on the excess	AM 635 rate on the excess
Siblings and lineal descendants	\$40,000	\$100,000	1%	1%
Remote relatives	\$15,000	\$40,000	13%	11%
Nonrelatives	\$10,000	\$25,000	18%	15%

In addition, there will not be inheritance tax imposed on any beneficiary whose is less than 22 years of age.

Section 4 requires each county to submit a report to the Nebraska Department of Revenue (DOR) detailing the number of beneficiaries and the amount received for each class of beneficiary. Counties are also to report the number of nonresident beneficiaries. The report is to be submitted by July 1 beginning in 2022 and cover the prior calendar year.

It is estimated that there will be no cost to DOR to implement this bill.

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

**Major Objects of Expenditure**

<u>Class Code</u>	<u>Classification Title</u>	<u>22-23</u> <u>FTE</u>	<u>23-24</u> <u>FTE</u>	<u>24-25</u> <u>FTE</u>	<u>22-23</u> <u>Expenditures</u>	<u>23-24</u> <u>Expenditures</u>	<u>24-25</u> <u>Expenditures</u>
Benefits.....							
Operating Costs.....							
Travel.....							
Capital Outlay.....							
Capital Improvements.....							
<b>Total.....</b>							

LB<sup>(1)</sup> 310 AM635 REVISED

FISCAL NOTE

State Agency OR Political Subdivision Name: <sup>(2)</sup> Nebraska Association of County (NACO)

Prepared by: <sup>(3)</sup> Elaine Menzel Date Prepared: <sup>(4)</sup> 1/12/2022 Phone: <sup>(5)</sup> 402.434.5660

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	FY 2022-23		FY 2023-24	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	=====	=====	=====	=====

Explanation of Estimate:

LB 310 with the adoption of AM635 would negatively impact the collection of inheritance taxes by counties in 2022 and all future years. To analyze the impact as illustrated below, 675 individual worksheets were analyzed in 14 counties: Blaine, Box Butte, Brown, Buffalo, Deuel, Gage, Hamilton, Lincoln, Rock, Sarpy, Saunders, Valley, Wayne and York Counties. NACO would stress that this is a very small sample, does not include the two largest counties, and is a snapshot only for the year of 2019 and how it would impact the select 14 counties in 2022 and into the future. Inheritance taxes collected by counties can vary significantly year to year within each of the counties.

Classes of Beneficiaries	Current Taxes Collected of 14 Counties	2022 taxes with AM635*	Negative Impact if AM635 Were in Effect	
Class 1	\$6,669,815.76	\$5,831,572.88	\$ 838,242.88	Exemption increased from \$40,000 - \$100,000 – rate remains at 1% of the clear market value of property
Class 2	\$1,916,063.19	\$1,482,336.74	\$ 664,095.60	Exemption increased from \$15,000 - \$40,000 and the rate decreased from 13% - 11% of the clear market value of property
Class 3	\$3,221,100.22	\$2,552,523.88	\$ 657,399.99	Exemption increased from \$10,000 - \$25,000 and the rate decreased from 18% - 15% of the clear market value of property
Total	\$11,801,191.21	\$ 10,530,529.10	\$1,270,662.11	

There would be a negative impact for the loss of inheritance taxes collected for beneficiaries under age 21 for all classes. The loss is unknown since information about ages of beneficiaries is not reported on the worksheets. The loss will vary between counties and from year to year. The reporting structure will cause counties to expend time and incur costs. When NACO analyzed 675 cases from 14 counties, approximately 7 minutes was spent on each case. Given an average wage of \$33,413/yr for county employees, the fiscal impact would be about \$5,000 to access documents and record the number of beneficiaries of each class. Beneficiary residency information is generally not reported separately within county court filings..

**BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE**

Personal Services:

POSITION TITLE	NUMBER OF POSITIONS		2022-23	2023-24
	22-23	23-24	EXPENDITURES	EXPENDITURES
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____

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

**2022**

**LB310/AM635**<sup>(1)</sup> *Change inheritance tax rates and exemption amounts (as amended)*

**FISCAL NOTE**

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

DOUGLAS COUNTY, NEBRASKA

Prepared by: <sup>(3)</sup> Joe Lorenz,  
Director of Finance &  
Budget

Date Prepared: <sup>(4)</sup> 1/19/2022

Phone: <sup>(5)</sup> 402-444-6825

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

	<u>FY 2022-23</u>		<u>FY 2023-24</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	<u>N/A</u>	<u>LOSS OF (\$2 million)</u>	<u>N/A</u>	<u>PERMANENT REDUCTION</u>

Explanation of Estimate:

**NEGATIVE (DETRIMENTAL) FISCAL IMPACT TO DOUGLAS COUNTY**

The revisions proposed by AM635 will result in a loss of anticipated inheritance tax revenue to all counties.

Douglas County generally collects \$12 million to \$13 million in inheritance tax revenue annually. The combined impact of reducing tax rates and increasing the amount of estate value exempted from calculation will result in a significant decrease in County inheritance tax revenues.

Douglas County estimates a reduction in revenue from \$12M - \$13M annually, to \$10M - \$11M annually; an annual loss of +/- \$2M is predicted.

**BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE**

**Personal Services:**

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
	_____	_____		
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____