

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2021-22		FY 2022-23	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS		(\$8,531)		(\$20,475)
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS		(\$8,531)		(\$20,475)

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

Overall, LB508 will decrease the amount of funding from the motor vehicle tax (starting in FY22) that flows to the Department of Motor Vehicles (DMV), Counties, Local Government, and Local School Systems. In FY22 this total amount amongst the entities is estimated to be \$853,125 and in FY23 this amount is \$2,047,500. Additionally, starting in FY24 there will be increase General Fund expenditures. In FY24 the estimated increase in General Fund expenditures is \$861,144 and \$1,481,168 in FY25. Details of the impact of the bill are detailed below.

LB508 would provide a motor vehicle tax exemption on one motor vehicle owned and operated by a veteran of the United States Armed forces with a 100% service connected disability rating recognized by the United States Department of Veteran Affairs while also receiving Social Security payments. Additionally, the bill would provide a motor vehicle tax exemption on one motor vehicle owned and operated by a spouse of a deceased veteran who is receiving Dependency and Indemnity Compensation. The effective date of the new exemptions would be January 1, 2022.

The DMV indicates in 2018 there were roughly 3,776 veterans with a 100% disability rating in Nebraska. They estimate 3,500 veterans and 1,750 spouses would qualify for the new motor vehicle tax exemption. Utilizing CY2020 data, the average motor vehicle tax that would have been paid by an individual who qualified for the exemption under the current exemption for a disabled veteran was \$390. This would result in a total estimated revenue loss of \$2,047,500 each fiscal year.

NRS 60-3,186 directs distribution of the motor vehicle taxes based on the vehicles situs as follows in the table below. The final column of the table provides the estimated revenue decrease for each entity who receives a portion of the revenue from the motor vehicle tax. Please also note the FY22 figures are adjusted to account for the January 1, 2022 effective date and a one (1) month lag in tax receipts.

Motor Vehicle Tax Distribution and Estimated Revenue Decrease			
Entity Receiving	Distribution	FY22	FY23
Counties for Costs Incurred	1% of Total	8,531	20,475
DMV VTR Repl. And Maint. Cash Fund	1% of Total	8,531	20,475
Local School System or District	60% of Remaining	501,638	1,203,930
Local Government (City, Village, County)*	40% of Remaining	334,425	802,620

*There are three (3) types of distribution that can occur with regard to Counties and Cities/Villages with the portion remaining after the initial 2% is remitted to the DMV and Counties:

- 1) 18% to city or village & 22% to county
- 2) 40% to County – If the tax district is not in a city or village
- 3) 22% to city or village & 18% to county – If the county contains a city of metropolitan class

NRS 60-3,186(d)(3) requires the proceeds from motor vehicle taxes be treated as property tax revenue. The proceeds are considered "other receipts" in the Tax Equity and Educational Opportunities Support Act (TEEOOSA) formula. Based on FY18 data, schools receiving equalization aid under TEEOSA received 72.1 percent of the total motor vehicle tax proceeds that were distributed to local

(continued)

school systems or districts. Because there is a potential reduction in receipts to those local school systems or districts that receive equalization aid, there is a corresponding General Fund impact (i.e. increase in General Fund expenditures). To determine the General Fund impact (see table below), the following items were taken into account:

- 1) School Year (September-August) revenue decreases were calculated using the DMV provided projections for school years 2021-22 and 2022-23
- 2) Local School System or District revenue was multiplied by a 0.721 factor.
- 3) Accounted for two (2) year lag in when Motor Vehicle Tax receipts are considered in the TEEOSA formula.

General Fund Increase in Funding for TEEOSA	
FY24	FY25
861,144	1,481,168

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB: 508	AM:	AGENCY/POLT. SUB: Nebraska Department of Motor Vehicles	
REVIEWED BY: Lucas Martin	DATE: 01/28/2021	PHONE: (402) 471-4181	
COMMENTS: No basis to disagree with the Department of Motor Vehicles' assessment of fiscal impact.			

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

2021

LB⁽¹⁾ 508

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Department of Motor Vehicles

Prepared by: ⁽³⁾ Bart Moore Date Prepared: ⁽⁴⁾ _____ Phone: ⁽⁵⁾ 402-471-3902

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2021-22</u>		<u>FY 2022-23</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	(10,237)	_____	(20,475)
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	=====	(10,237)	=====	(20,475)

Explanation of Estimate:

In 2018 there were approximately 3,776 veterans with 100% disability rating in Nebraska. If 3,500 veterans and 1,750 spouses take advantage of the tax exemption purposed in LB 508 the total decrease in Motor Vehicle Tax Revenue will be \$2,047,500. The DMV collects 1% of this amount for the Vehicle Title and Registration Modernization Fund, this reduction would be \$20,475 per year. With the effective date of January 1, 2022, the amount of revenue lost for Fiscal Year 2021-22 would be one half of this amount.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2021-22</u>	<u>2022-23</u>
	<u>21-22</u>	<u>22-23</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	=====	=====	=====	=====