Austin Ligenza December 23, 2021 (402)471-0050

LB 599

Revision: 01 FISCAL NOTE LEGISLATIVE FISCAL ANALYST ESTIMATE

Revised for 2022 session

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)							
	FY 202	22-23	FY 2023-24				
	EXPENDITURES	REVENUE	EXPENDITURES REVENUE				
GENERAL FUNDS							
CASH FUNDS		See below		See below			
FEDERAL FUNDS							
OTHER FUNDS							
TOTAL FUNDS		See below		See below			

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

LB 599 seeks to amend sections relating to the documentary stamp tax. The documentary stamp tax is a tax collected on the transfer of a deed to real property. LB 599 seeks to clarify the exemption for "family corporations".

LB 599 exempts the tax from the transfer of a deed from a family-owned entity to a member or spouse relating to that family, or to another family-owned entity under ownership by the same family. Family-owned entity refers to the original phrasing of the section, defined as a corporation, partnership, or limited liability company where all shares of stock, interest in the partnership, or ownership of the company are owned by members of a family.

The Department of Revenue was unable to provide an estimate on the fiscal impact of LB 599, as there is no data available to the department on the transfer of such family-owned real property. The Department expects that the clarification provided by LB 599 would increase the number of transactions qualifying for an exemption to the documentary stamp tax. This would in turn reduce the revenue to the various funds the tax is deposited, which are the following:

- The county general fund where the tax was collected;
- The Affordable Housing Trust Fund;
- The Site and Building Development Fund;
- The Homeless Shelter Assistance Trust Fund; and
- The Behavioral Health Services Fund.

The Department of Revenue does not expect any costs to implement LB 599. This estimate was provided in the 2021 session.

The impact to counties is unclear, although it appears unlikely that a significant fiscal impact would be seen. Counties received a total of \$942,491 in documentary stamp tax in 2019, and processed 77,255 transactions, of which 25,296 (32.7%) were deemed exempt. It's unknown how many more transactions would be considered exempt due to LB 599, but the total impact to counties would be minimal relative to other revenue sources. The Nebraska Association of County Officials (NACO) was also unable to estimate a fiscal impact.

ADMINI	STRATIVE SEF	RVICES STATE BUDGET DIVISION:	REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB: 599	AM:	AGENCY/POLT. SUB:	Department of Revenue			
REVIEWED BY:	Lee Will	DATE: 03/2/2	/2021 PHONE: (402) 471-4175			
COMMENTS: Concur with the Department of Revenue's assessment of fiscal impact related to the change of the exemption for the documentary stamp tax.						

ADMIN	ISTRATIVE SEI	RVICES STATE BUDGET DIVISION: REVIEW OF AGENC	Y & POLT. SUB. RESPONSE		
LB: 599	AM:	AGENCY/POLT. SUB: Nebraska Association	n of County Officials (NACO)		
REVIEWED BY:	Lee Will	DATE: 02/26/2021	PHONE: (402) 471-4175		
COMMENTS: No basis to disagree with the NACO's assessment of unknown fiscal impact to the counties.					

LB 599					Fiscal Note	2021			
State Agency Estimate									
State Agency Name: Department of	Revenue				Date Due LFO:				
Approved by: Tony Fulton	Date Prepared:	3/1/2021 Phone: 471-5896							
FY 2021-2		-2022	FY 2022-2023		FY 2023-2024				
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue			
General Funds	See below		See below		See below				
Cash Funds		See below		See below		See below			
Federal Funds									
Other Funds									
Total Funds	See below	See below	See below	See below	See below	See below			

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LB 599 amends Neb. Rev. Stat. § 76-902(5)(b) to clarify the exemption from documentary stamp tax for deeds to or from family-owned entities.

Deeds to or from a family-owned entity or from a member of a family, or their spouse, or another family-owned entity owned by the same family, in each case for no consideration other than permitted consideration are exempt from documentary stamp tax. Family-owned entity means a corporation, partnership, or limited liability company (LLC) when all shares of stock or interest in the partnership or LLC are owned by members of a family related to one another within the fourth degree of kindred. Permitted consideration is defined as no consideration other than the issuance of stock of the corporation or interest in the partnership or LLC to a family member, spouse, or other family-owned entity or the return of the stock to the corporation in partial or complete liquidation of the corporation or deeds in dissolution of the interest in the partnership or LLC. To qualify for this exemption, the property must be transferred in the name of the entity and not in the name of the individual shareholders, partners, or members.

The Department does not have data on transferring real property for the organizations classified in LB 599, and is unable to determine the decrease in documentary stamp tax revenue. The documentary stamp exemption in LB 599 will result in a reduction in the collection of documentary stamp tax. This is turn will reduce payments to the Affordable Housing Trust Fund, Site and Building Development Fund, Homeless Shelter Assistance Trust Fund, and Behavioral Health Services Fund.

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

The operative date for this bill is three months after adjournment.

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Major Objects of Expenditure							
<u>Class Code</u>	Classification Title	21-22 <u>FTE</u>	22-23 <u>FTE</u>	23-24 <u>FTE</u>	21-22 <u>Expenditures</u>	22-23 <u>Expenditures</u>	23-24 Expenditures
Benefits			l 	l 			
Travel							
Total			•••••				

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LB ⁽¹⁾ 599				FISCAL NOTE		
State Agency OR I	Political Subdivision Name: ⁽²⁾	Nebraska Association of County Officials (NACO)				
Prepared by: ⁽³⁾	Elaine Menzel	Date Prepared: ⁽⁴⁾	1/22/2021 Phone: (5)	402.434.5660		
	ESTIMATE PROVI	<u>DED BY STATE AGEN</u>	ICY OR POLITICAL SUBDIVIS	SION		
	FY	2021-22	FY 2022	2-23		
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE		
GENERAL FUN	DS					
CASH FUNDS						
FEDERAL FUN	DS					
OTHER FUNDS						
TOTAL FUNDS						

Explanation of Estimate:

LB 599 would revise an exemption to the documentary stamp tax for deeds to or from a family-owned entity to or from a member of such family, or a spouse thereof, or another family-owned entity owned by the same family, in each case for no consideration other than permitted consideration as defined in this subdivision.

The fiscal impact to counties is unknown.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE							
Personal Services:							
	NUMBER OI	F POSITIONS	2021-22	2022-23			
POSITION TITLE	<u>21-22</u>	22-23	EXPENDITURES	EXPENDITURES			
		. <u> </u>					
Benefits							
Operating							
Travel							
Capital outlay							
Aid							
Capital improvements							
TOTAL							