

Updated to reflect FY23 and FY24 revenues losses in the correct columns.

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2022-23		FY 2023-24	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS		(\$27,841)		(\$66,818)
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS		(\$27,841)		(\$66,818)

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

Overall, LB693 will decrease the amount of funding from the motor vehicle tax and motor vehicle fee (starting in FY23) that flow to the Department of Motor Vehicles (DMV), Counties, Local Government, and Local School Systems. In FY23 this total amount amongst the entities is estimated to be \$2,926,875 and in FY24 this amount is \$7,024,500. Additionally, starting in FY25 there will be increase General Fund expenditures. In FY25 the estimated increase in General Fund expenditures is \$1,982,248 and \$4,833,666 in FY26. Details of the impact of the bill are detailed below.

LB693 updates the definition of disabled veteran to mirror the federal definition found at 5 U.S.C. 2108. The updated definition is expanded from what is currently in statute and would be used for the purposes of determining if:

1. A mobile home that is owned and occupied by a disabled veteran is exempt from taxation.
2. A motor vehicle owned and used by a disabled veteran for transportation is exempt from the motor vehicle tax and motor vehicle fee. 4 tiers of exemption are provided for based on the individuals disability rating;
 - a. at least 10% but not more than 25% provides for a 25% reduction
 - b. more than 25% but not more than 50% provides for a 50% reduction
 - c. more than 50% but not more than 75% provides for a 75% reduction
 - d. more than 75% provides for a 100% reduction

Based on information from the United States Department of Veterans Affairs, as of September 30, 2019, there were 43,398 veterans in Nebraska who would meet the updated definition of disabled veteran. Further, the same data set provides percentages of disability in increments that allows an estimated number of individuals who would qualify for each tier of motor vehicle tax and fee reduction. Data from the American Community Survey indicates 93% of disabled veterans in Nebraska own a vehicle. Utilizing CY2020 data, the average motor vehicle tax that would have been paid by an individual who qualified for the exemption under the current definition of disabled veteran was \$390. Utilizing these figures the total estimated revenue loss from the motor vehicle tax on an *annual* basis is \$6,681,841.

NRS 60-3,186 directs distribution of the motor vehicle taxes based on the vehicles situs as follows in the table below. The final columns of the table provides the estimated revenue decrease for each entity who receives a portion of the revenue from the motor vehicle tax. Please note the FY23 figures are adjusted to account for the January 1, 2023 effective date and a one (1) month lag in tax receipts.

Motor Vehicle Tax Distribution and Estimated Revenue Decrease			
Entity Receiving	Distribution	FY23	FY24
Counties for Costs Incurred	1% of Total	\$27,841	\$66,818
DMV VTR Repl. and Maint. Cash Fund	1% of Total	\$27,841	\$66,818
Local School System or District	60% of Remaining	\$1,637,051	\$3,928,923
Local Government (City, Village, County)*	40% of Remaining	\$1,091,367	\$2,619,282

*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 (TEEOSA) 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 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 estimates were calculated for school years 2022-23 and 2023-24.
- 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	
FY25	FY26
\$1,983,248	\$4,833,666

To determine an estimated revenue loss associated with the reduction in motor vehicle fee the same estimated number of individuals in each tier were used in conjunction with an estimated \$20 motor vehicle fee that would normally be paid by each individual to calculate the total revenue loss on an *annual* basis of \$342,659

NRS 60-3,190 directs distribution of the motor vehicle fee revenue as shown in the table below. The final columns of the table provides the estimated revenue decrease for each entity who receives a portion of the revenue from the motor vehicle fee. Please note the FY23 figures are adjusted to account for the January 1, 2023 effective date and a one (1) month lag in tax receipts.

Motor Vehicle Fee Distribution and Estimated Revenue Decrease			
Entity Receiving	Distribution	FY23	FY24
Counties for Costs Incurred	1% of Total	\$1,428	\$3,427
Motor Vehicle Fee Fund	99% of Total	\$141,347	\$339,232
Counties	50% of Motor Vehicle Fee Fund Proceeds	\$70,673	\$169,616
Municipalities	50% of Motor Vehicle Fee Fund Proceeds	\$70,673	\$169,616

(continued)

The Department of Motor Vehicles provided a fiscal note which uses different assumptions for the number of people who would qualify for the Motor Vehicle Tax exemption which results in a higher estimate of revenue loss.

The Nebraska Association of County Officials provided a fiscal note indicating the fiscal impact is unknown but will cause some reduction in the motor vehicle tax collected by the county treasurer.

The Department of Revenue provided a fiscal note indicating there is no negative impact on General Fund revenues and no impact to the department.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB: 693	AM:	AGENCY/POLT. SUB: Department of Motor Vehicles	
REVIEWED BY: Patrick Redmond	DATE: 1/11/2022	PHONE: (402) 471-4181	
COMMENTS: The Department of Motor Vehicles assessment of fiscal impact from LB 693 appears reasonable.			

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB: 693	AM:	AGENCY/POLT. SUB: Nebraska Association of County Officials	
REVIEWED BY: Patrick Redmond	DATE: 1/14/2022	PHONE: (402) 471-4181	
COMMENTS: No basis to disagree with the Nebraska Association of County Officials assessment of indeterminate fiscal impact from LB 693.			

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB: 693	AM:	AGENCY/POLT. SUB: Department of Revenue	
REVIEWED BY: Patrick Redmond	DATE: 1/19/2022	PHONE: (402) 471-4181	
COMMENTS: No basis to disagree with the Department of Revenue assessment of no fiscal impact from LB 693.			

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

2022

LB⁽¹⁾ 693

FISCAL NOTE

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

Prepared by: ⁽³⁾ Bart Moore Date Prepared: ⁽⁴⁾ January 10, 2022 Phone: ⁽⁵⁾ 402-471-3902

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	_____	<u>(77,227)</u>	_____	<u>(77,227)</u>
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	<u>(7,645,480)</u>	_____	<u>(7,645,480)</u>
TOTAL FUNDS	<u>_____</u>	<u>(7,722,707)</u>	<u>_____</u>	<u>(7,722,707)</u>

Explanation of Estimate:

Based on information received from the Department of Veteran's Affairs the DMV estimates the following number of veteran's will be allowed motor vehicle tax exemptions:

- >10% - 25% Disabled = 10,524
- >25% - 50% Disabled = 8,537
- >50% - 75% Disabled = 6,927
- Greater than 75% Disabled = 7,708

The average motor vehicle tax for these vehicles will be \$390.00 per vehicle.

The calculation of lost Motor Vehicle Tax Revenue will be \$7,722,707 per fiscal year. The applicable breakdown by recipient will be:

- County General Fund – (\$77,227)
- DMV Motor Vehicle System Replacement Fund – (\$77,227)
- School Districts – (\$4,540,952)
- Local Governments – (\$3,027,301)

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

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

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

2022

LB⁽¹⁾ 693

FISCAL NOTE

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

Prepared by: ⁽³⁾ Elaine Menzel Date Prepared: ⁽⁴⁾ 1/11/2022 Phone: ⁽⁵⁾ 402.434.5660

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	=====	=====	=====	=====

Explanation of Estimate:

LB 693 would change provisions relating to motor vehicle exemptions for veterans who are blind and disabled as defined.

The fiscal impact is unknown; however, it will cause some reduction in motor vehicle tax collected by the county treasurer.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

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

