PREPARED BY: DATE PREPARED: PHONE: Austin Ligenza January 11, 2022 (402)471-0050

LB 853

Revision: 00

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			\$954,000		
CASH FUNDS					
FEDERAL FUNDS					
OTHER FUNDS					
TOTAL FUNDS			\$954,000		

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

LB 853 makes significant changes to the homestead exemption provided under 77-3508. LB 853 creates a new process for calculating the exempt amount for an eligible homestead.

LB 853 creates a new eligible taxpayer for the homestead exemption. Beginning January 1, 2023, any veteran who was honorably or generally discharged, and is 50% or more disabled but not totally disabled due to a non-service-connected accident or illness, shall be eligible for a homestead exemption, calculated based on household income of the claimant, as well as disability level. Under current law, only totally disabled veterans are eligible.

LB 853 provides an additional exemption calculation to be used for these newly eligible taxpayers. The initial process remains the same, with the exempt amount corresponding to a percent dependent on household income. This initial amount will then be multiplied by a percentage based on the level of disability the claimant has. This can be seen in the following table:

Disability percentage	Percentage multiplied to the initial exemption
>90% but less than totally disabled	90%
>80% and <90%	80%
>70% and <80%	70%
>60% and <70%	60%
>50% and <60%	50%

The Department of Revenue estimates that approximately 25% of non-service-connected disabled veterans in Nebraska will become eligible for the homestead exemption. This would increase General Fund expenditures as follows:

FY22-23: \$0

• FY23-24: \$954,000

FY24-25: \$936.000

FY25-26: \$918,000

The Department of Revenue estimates minimal costs to implement LB 853. There is no basis to disagree with these estimates.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE					
LB: 853	AM:	AGENCY/POLT. SUB: Departm	AGENCY/POLT. SUB: Department of Revenue		
REVIEWED E	BY: Neil Sullivan	DATE: 1/19/2022	PHONE: (402) 471-4179		
COMMENTS: The Department of Revenue assessment of fiscal impact from LB 853 appears reasonable.					

LB 853 Fiscal Note 2022

State Agency Estimate						
State Agency Name: Department	of Revenue				Date Due LFO:	
Approved by: Tony Fulton		Date Prepared:	1/18/2022		Phone: 471-5896	
	FY 2022	FY 2022-2023		-2024	FY 2024-2025	
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue
General Funds	\$0		\$954,000		\$936,000	
Cash Funds						
Federal Funds						
Other Funds						
Total Funds	\$0		\$954,000		\$936,000	

LB 853 amends Neb. Rev. Stat. § 77-3508 for homestead exemption to create a new category of homestead exemption for disabled veterans who are 50% or more disabled due to a non-service-connected injury or illness. Currently, Neb. Rev. Stat. § 77-3508(b)(i) only provides a homestead exemption for disabled veterans who are totally (100%) disabled from a non-service-connected injury or illness. LB 853 will allow for more claimants to apply for the homestead exemption thereby increasing the amount of expenditures from the General Fund for reimbursement to counties to cover their tax loss due to the granted homestead exemptions.

LB 853 does not change the current law, but amends Neb. Rev. Stat. § 77-3508(1)(a)(i) to make it clear that the exemptions listed in Neb. Rev. Stat. § 3508(b)(i)-(iv) are limited to both "exempt value" and income limitations. This provision entitles the claimant to an exempt value that is the lesser of the taxable value of the homestead or 120% of the average assessed value of a single family residential in the claimant's county of residence as certified by the county assessor. If the claimant's homestead assessed value is equal to the exempt amount, the exemption amount is then subject to the maximum value limitation. This limitation is equal to 225% of the average assessed value of a single family residential in the claimant's county of residence as certified by the county assessor or \$100,000, whichever is larger. Finally, the exempt amount is multiplied by a percentage associated with the claimant's income.

LB 853 introduces a new homestead category that is effective January 1, 2023. The exempt amount of the new category is subject to the limitations of Neb. Rev. Stat. § 77-3508(1)(a)(i), the exempt amount will also be multiplied by a percentage associated with the claimant's disability percentage. Neb. Rev. Stat. § 77-3508(1)(b) is then amended to include subsection (v) granting a homestead exemption to disabled veterans who are 50% or more disabled due to a non-service-connected injury or illness. Neb. Rev. Stat. § 77-3508(1)(c) states that such disability percentage will be verified by a certification from the U.S. Dept. of Veterans Affairs.

The bill also amends Neb. Rev. Stat. § 77-3508(2) to ensure that the language used is consistent regarding income limitations.

Major Objects of Expenditure							
Class Code	Classification Title	22-23 <u>FTE</u>	23-24 <u>FTE</u>	24-25 <u>FTE</u>	22-23 Expenditures	23-24 Expenditures	24-25 Expenditures
Benefits							
Operating Costs.							
Capital Improvements	S		· · · · · · · · · · · · · · · · · · ·				
Total					·		

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This bill adds a new table to calculate the exempt amount for those claimants under Neb. Rev. Stat. § 3508(b)(v).

The Department of Revenue (DOR) used data from the Compensation and Pension by county 2019 report published by the U.S. Department of Veterans Affair and estimated that the percentage of the 100% service-connected disabled rating over 50% to 100% service-connected disabled rating is approximately 25%. This 25% percentage was used for non-service-connected disabled veterans and estimated that LB 853 will increase the General Fund expenditures as follows:

FY2022-2023	\$ -
FY2023-2024	\$ 954,000
FY2024-2025	\$ 936,000
FY2025-2026	\$ 918,000

It is estimated that LB 853 will require changes to the electronic homestead exemption program, the Homestead Exemption Application Form, the information guide, and other documents. These changes can be done with existing DOR staff. Therefore, there will be minimal costs to the DOR to implement this bill.

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