

Revised due to adoption of amendments on General File

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			\$64,279,000	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS			\$64,279,000	

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

As amended by AM1601 and 2371, LB 853 amends the homestead exemption provided under 77-3508 to create 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. Prior to LB 853, only totally disabled veterans were 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%

AM2371 incorporated provisions of LB 1080, which changes application requirements for persons with a 100% disability rating from annually to every five years, and certification of disability status for all applicants to once every five years. The bill also amends provisions related to improperly claimed exemptions, penalties, and payment of liens and penalties.

The Department of Revenue estimates that approximately for every 1 person with a 100% disable rating, there are 3 persons between 50% to 100% disabled rating. Using this percentage, and accounting for the amount of tax loss per additional eligible homestead, the increase in General Fund expenditures as follows:

- FY22-23: \$0
- FY23-24: \$64,279,000
- FY24-25: \$69,421,000
- FY25-26: \$74,974,000

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

The impact to counties will vary depending on the number of disabled veterans that would now be able to apply for a homestead exemption. There could be increased administrative costs to counties due to an increase in homestead exemption applications.

State Agency Estimate

State Agency Name: Department of Revenue		Date Due LFO:			
Approved by: Tony Fulton		Phone: 471-5896			
Date Prepared: 3/31/2022					
FY 2022-2023		FY 2023-2024		FY 2024-2025	
Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue
General Funds	\$0	\$64,279,000		\$69,421,000	
Cash Funds					
Federal Funds					
Other Funds					
Total Funds	\$0	\$64,279,000		\$69,421,000	

AM 2371 strikes all the original provisions of LB 853 and AM 1601.

AM 2371 amends Neb. Rev. Stat. § 77-3506(1)(a) by adding subdivisions (d) and (e) to subdivision (2). Subdivisions (2) (a)-(f) totally exempts homesteads from taxation while subdivision (2)(g) provides a partial exemption commiserate with a veteran’s percentage of disability. AM 2371 amends Neb. Rev. Stat. § 77-3506(2) reads as follows:

- (a): provides a total homestead exemption (HE) for veterans with a 100% service-connected permanent disability.
- (b) separates out a total HE for an unmarried surviving spouse or one that remarried after the age of 57 into its own provision; before it was together with Neb. Rev. Stat. § 77-3506(2)(a).
- (c) provides a total HE for veterans with a 100% service-connected temporary disability and are not eligible for total exemption under Category four and their surviving spouse or one that remarried after the age of 57.
- (d) a total HE for unmarried surviving spouse or one that remarried after the age of 57 of any veterans who dies because of a service-connected disability while in service, not in major conflicts described in Neb. Rev. Stat. § 80-401.01; previously sub (b).
- (e) a total HE for unmarried surviving spouse or one that remarried after the age of 57 of any veterans whose death was service-connected while on active duty, not in major conflicts described in Neb. Rev. Stat. § 80-401.01.
- (f) a total HE for unmarried surviving spouse or one that remarried after the age of 57 of any veterans who died in Major conflicts described in Neb. Rev. Stat. § 80-401.01; previously sub (d); and
- (g) a partial HE for veterans who are at least 50%, but under 100% disabled due to service-connected disability and are not eligible for total exemption under Category four (veteran receiving compensation from the U.S. DVA) and their surviving spouse or one that remarried after the age of 57; previously sub (e).

Neb. Rev. Stat. § 77-3506(3) is amended to require categories under Neb. Rev. Stat. § 77-3506(3)(b) -(g) to apply every year with Veteran Affairs (VA) certification being required every five years, while those under Neb. Rev.

Major Objects of Expenditure

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

Stat. § 77-3506(2)(a) only have to apply once every five years, including VA certification when they do apply. This removes the ability of the assessor to request such certification at their discretion.

In section 2, Neb. Rev. Stat. § 77-3512 is amended to remove the express language that failure to apply for HE is a waiver of the exemption for the year from subsection subsection (1) and Neb. Rev. Stat. § 77-3512(d) is added to reflect the language that veterans under Neb. Rev. Stat. § 35-3606(2)(a) must only apply once every five year and (e) if the veteran dies during the five year period, then the surviving spouse gets the exemption for the remainder of the five year period and must apply annually after the expiration of the five year period.

Neb. Rev. Stat. § 77-3512(2) adds back in the express language that failure to apply for HE is a waiver of the exemption for the year in which the failure occurred.

Section 3, Neb. Rev. Stat. § 77-3513 amends the requirement that assessors send notice to all those who received a HE in the preceding year to require notice be sent to only those who are required to refile in the current year.

Section 4, Neb. Rev. Stat. § 77-3522 is amended to add “knowingly” as a mens rea element to convict a person of assisting another of homestead fraud and that the failure to report a change in status of an individual getting a HE under Neb. Rev. Stat. § 77-3506(2)(a) may result in a lien against the homestead property. When the lien is paid off, the payment of the taxes will go to the State Treasurer, while any penalties will be kept by the county.

Neb. Rev. Stat. § 77-3522(3) adds a "pull-back" provision for county assessors to revoke a homestead exemption for a veteran under Neb. Rev. Stat. § 35-3506(2)(a) back to when the assessor has reason to believe that the veteran no longer qualified and provide notice to the veteran of such revocation. Due process is then provided to the veteran in the form of appealing to the county board within 30 days.

Sub (4) is added to state any additional taxes or penalties imposed by the section can be appealed as provided in § 77-3519.

The Department of Revenue (DOR) used data from the Compensation and Pension by county 2019 report published by the U.S. Department of Veterans Affairs and estimated that the percentage of the 100% service-connected disabled rating over 50% to 100% and including 100% service-connected disabled rating is approximately 25% (for every 1 person with 100% disabled rating, there are 3 persons between 50% to 100% disabled rating). DOR used this 25% percentage and current homestead data and estimated that this bill will increase the General Fund expenditures as follows:

FY 2022-2023	\$	-
FY 2023-2024	\$	64,279,000
FY 2024-2025	\$	69,421,000
FY 2025-2026	\$	74,974,000

It is estimated that LB 853 AM 1601 AM 2371 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 of this bill is January 1, 2023.