

Revised per Select File amendments

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2024-25		FY 2025-26	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$757,581	(\$160,500,629)	\$235,832	\$35,778,000
CASH FUNDS	\$750,000,000	\$768,624,000	\$780,000,000	\$779,953,000
FEDERAL FUNDS				
OTHER FUNDS		\$115,732,629		
TOTAL FUNDS	\$750,757,581	\$723,856,000	\$780,235,832	\$815,731,000

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

LB 388 was amended by AM3468 and FA445 on Select File. The details of LB 388, as amended, are discussed below.

Incorporates Provisions of LB 1414 with Modifications

This part of the bill would establish the Property Tax Growth Limitation Act.

Under the Act, political subdivisions would be counties, cities, or villages.

Except as otherwise provided in the Act, for fiscal years beginning on or after July 1, 2024, a political subdivision's property tax request for any year could not exceed its property tax request authority. The preliminary property tax request authority for each political subdivision would be the amount of property taxes levied by the county board of equalization pursuant to section 77-1601 for such political subdivision in the prior fiscal year. In addition to the preliminary property tax request authority, the political subdivision's property tax request authority could be increased in multiple ways as detailed in this part of the bill. One method for a political subdivision to increase its property tax request authority under the Act would be through approval of a majority of legal voters voting on the issue at an election. In the event of an election, this would result in additional costs to political subdivisions to hold the elections.

A political subdivision could choose not to increase its total property taxes levied by the full amount of the property tax request authority allowed in a particular year. In such cases, the political subdivision could carry forward to future budget years the amount of unused property tax request authority, but accumulation of unused property tax request authority could not exceed an aggregate of 5% of the total property tax request authority from the prior year.

The Auditor of Public Accounts would need to prepare forms to be used by political subdivision for the purpose of calculating property tax request authority and unused property tax request authority. Each political subdivision would calculate such amounts and submit the forms to the auditor on or before September 30 of each year. If a political subdivision fails to submit such forms to the auditor or if the auditor determines from such forms that a political subdivision is not complying with the limits provided in the Act, the auditor would notify the political subdivision and the State Treasurer of the noncompliance. The State Treasurer would then suspend distribution of state aid allocated to the political subdivision until the political subdivision complies. The funds would be held for six months. If the political subdivision complies within the six-month period, it would receive the suspended funds. If the political subdivision fails to comply within the six-month period, the suspended funds would be forfeited and would be redistributed to other recipients of the state aid or, in the case of homestead exemption reimbursement, returned to the General Fund.

The auditor could adopt and promulgate rules and regulations to carry out the Act.

Incorporates Provisions of LB 1310/1354

This part of the bill would establish the Advertising Services Tax Act. A tax would be imposed for those doing business in Nebraska whose combined gross advertising revenue is greater than \$1 billion. The rate of the tax would be 7.5% on the assessable base. The Tax Commissioner could adopt and promulgate rules and regulations necessary to implement, administer, and enforce the Act.

Section 77-2704.38 is also outright repealed. This would eliminate the sales and use tax exemption on lottery tickets purchased. The Department of Revenue (DOR) notes that per agreements with member lotteries for each of the national games, sales tax would need to be included in the price to those games so as not to go over the mandated price-point. The DOR estimates this would result in a reduction to the lottery beneficiary funds, as shown by the DOR in its fiscal note, for the Environmental Trust Fund, various Education Funds, Nebraska State Fair Board, and Compulsive Gamblers Assistance Fund.

Incorporates Provisions of LB 1415 with Modifications

This part of the bill would establish the Property Tax Relief Act. The purpose of the Act would be to provide property tax relief for property taxes levied against real property by school districts.

The School Property Tax Credit Fund would be created and could only be used pursuant to the Act.

The Act would apply to tax year 2024 and each tax year after. For tax year 2024, the amount of relief granted under the Act would be \$750,000,000. For tax year 2025 and each tax year after, the amount of relief granted under the Act would be the amount of relief from the prior year plus \$30 million. The relief would be in the form of a property tax credit which appears on the property tax statement.

To determine the amount of the property tax credit for each parcel, the county treasurer would multiply the amount disbursed to the county by the ratio of the school district taxes levied on the parcel to the school district taxes levied on all real property in the county. The amount so determined would be the property tax credit for that parcel.

If the real property owner qualifies for a homestead exemption, the owner would also be qualified for this credit to the extent of any remaining liability after calculation of the relief provided by the homestead exemption. If the credit provided results in a property tax liability on the homestead that is less than zero, the amount of the credit which cannot be used by the taxpayer would be returned to the Property Tax Administrator by July 1 of the year the amount disbursed to the county was disbursed. The Property Tax Administrator would immediately credit any of these funds returned to the School Property Tax Credit Fund. Upon the return of any of these funds, the county treasurer would electronically file a report with the Property Tax Administrator, on a form prescribed by the Tax Commissioner, indicating the amount of funds distributed to each school district in the county in the year the funds were returned, any collection fee retained by the county in such year, and the amount of unused credits returned.

The amount disbursed to each county would be equal to the amount available for disbursement multiplied by the ratio of the school district taxes levied on all real property in the county to the school district taxes levied on all real property in the state. By September 15, the Property Tax Administrator would determine the amount to be disbursed to each county and would certify such amounts to the State Treasurer and to each county. The disbursements to the counties would occur in two equal payments, the first on or before January 31 and the second on or before April 1. After retaining 1% of the receipts for costs, the county treasurer would allocate the remaining receipts to school districts in the county proportionally based on the amount of school district taxes levied on real property in the county by such school districts.

This part of the bill would make changes to the Nebraska Property Tax Incentive Act. The bill would remove the definition of allowable growth percentage from the Act and sunset the school district property tax credit under the Act so it only applies to tax years before 2024.

This part of the bill also removes language placing a limit on a transfer occurring regarding the Nebraska Transformational Project Fund before the total amount of refundable credits granted annually under the Nebraska Property Tax Incentive Act reach \$375 million.

Incorporates Provisions of LB 745 with Modifications

This part of the bill would change the tax on cigarettes to \$1.00 from the current \$0.64 per package beginning July 1, 2024. This \$0.36 increase would be placed in the School Property Tax Credit Fund.

Incorporates Provisions of LB 1341 with Modifications

This part of the bill would provide for a 25% sales tax rate on consumable hemp products starting July 1, 2024.

Incorporates Provisions of LB 1311 with Modifications

This part of the bill would make changes to the definition of gross receipts for sales and use taxes so that it includes gross income for animal specialty services including animal grooming performed by a licensed veterinarian or a licensed veterinary technician in conjunction with medical treatment and veterinary services, but excluding veterinary services or other specialty services performed on livestock as defined in section 54-183.

Incorporates Provisions of LB 1349 with Modifications

This part of the bill would make changes so that sales and use taxes are imposed on the gross income received for the cleaning of clothing, excluding any amounts exempt pursuant to section 77-2704.14.

Incorporates Provisions of LB 1248

This part of the bill would add sales and use taxes for candy and soft drinks.

Incorporates Provisions of LB 295 with Modifications

This part of the bill seeks to increase the amount of earned income tax credit (EITC). Currently, the credit is equal to 10% of the federal credit. Under this part of the bill, the credit percentage would increase to 15% on or after January 1, 2025.

Incorporates Provisions of LB 1299

Under FA445, the tax on electronic nicotine delivery systems (ENDS) would be 20% of the purchase price paid by the first owner or the price at which the first owner who made, manufactured, or fabricated the ENDS sells the item to others.

Incorporates Provisions of LB 1318 with Modifications

This part of the bill would change section 77-4602 to provide that if the actual General Fund net receipts for the most recently completed fiscal year exceed estimated General Fund net receipts for such fiscal year, the Tax Commissioner would certify the excess amount to the State Treasurer. The State Treasurer would transfer the excess amount to the Cash Reserve Fund, except that if actual General Fund net receipts for the most recently completed fiscal year exceed 103.5% of actual General Fund net receipts for the previous fiscal year, the transfer would be modified as follows:

- The amount transferred to the Cash Reserve Fund would be reduced by the excess amount calculated and such excess amount would be transferred to the School Property Tax Credit Fund.

Modifies Provisions from LB 243

This part of the bill would make changes to how the Department of Education calculates each school district's property tax request authority and how unused property tax request authority can be carried forward to future years under the School District Property Tax Limitation Act.

The DOR provided a breakdown on the impact of revenues which all go to General Fund revenues, and we provide a similar table below with one adjustment. We have utilized the cigarette tax fiscal impact from the DOR table except for the portion that goes to the General Fund as a result of sales tax revenue increases from raising the cigarette tax remain in the table. The remaining portion from the cigarette tax revenue increase then goes to the School Property Tax Credit Fund. All of the other estimates in the table below are the estimates from the DOR table.

	FY 24-25	FY 25-26	FY 26-27
Advertising Services	\$46,414,000	\$53,828,000	\$58,066,000
Cigarette	\$1,110,000	\$1,175,000	\$1,144,000
Lottery	\$10,345,000	\$11,437,000	\$12,601,000
Consumable Hemp	\$4,318,000	\$5,341,000	\$5,609,000
Veterinary Services and Grooming (Except Livestock)	\$18,167,000	\$21,523,000	\$23,375,000
Cleaning and Repair of Clothing	\$2,509,000	\$2,798,000	\$2,859,000
Candy and Soft Drinks	\$36,057,000	\$40,325,000	\$41,213,000
Repeal Property Tax Credit-School Districts	\$565,135,000	\$649,373,000	\$674,016,000
EITC	\$0	(\$14,660,000)	(\$14,689,500)
ENDS Tax	\$21,177,000	\$23,882,000	\$24,598,000
Total	\$705,232,000	\$795,022,000	\$828,791,500

The General Fund gain totals from the table above are referenced in the table below to illustrate the total General Fund revenue impact as a result of the bill. The DOR does note that their estimate does not account for the Cash Reserve Fund transfer provisions. As a result of the changes to these provisions under this bill, we estimate an increase of \$115,732,629 going to the Cash Reserve Fund. Thus, this amount is shown as a General Fund revenue loss in FY25 and is placed in the "Other Funds" category as revenue in the table at the top of page 1 as it goes to the Cash Reserve Fund. This Cash Reserve Fund transfer is shown in the table below. Additionally, the Cash Reserve Fund transfer provisions would place \$575,554,663 of the amount above certified forecast into the School Property Tax Credit Fund in FY25 from the General Fund and additional money beyond this amount to reach the \$750 million amount for the School Property Tax Credit Fund would be transferred from the General Fund. The table below also subtracts cigarette revenue from the General Fund transfer to the School Property Tax Credit Fund that the DOR notes for FY26 as \$780 million and for FY27 as \$810 million. Cigarette tax revenue going to the School Property Tax Credit Fund in FY25 would be available to supplement the General Fund transfer to achieve the \$780 million for the school property tax credit in FY26 and cigarette tax revenue going to the School Property Tax Credit Fund in FY26 would be available to supplement the General Fund transfer to achieve the \$810 million for the school property tax credit in FY27. The school property tax credit amounts of \$750 million, \$780 million, and \$810 million would then be expended out of the School Property Tax Credit Fund in FY25, FY26, and FY27 respectively.

Fiscal Year	General Fund Revenue Gain	Cash Reserve Fund Transfer	General Fund Transfer Out to School Property Tax Credit Fund	Total General Fund Revenues
24-25	\$ 705,232,000	\$ (115,732,629)	\$ (750,000,000)	\$ (160,500,629)
25-26	\$ 795,022,000	\$ -	\$ (759,244,000)	\$ 35,778,000
26-27	\$ 828,791,500	\$ -	\$ (788,029,000)	\$ 40,762,500

We also estimate the following revenue increase into the School Property Tax Credit Fund as a result of this bill from the General Fund transfers and cigarette tax revenue:

- FY 24-25: \$770,756,000
- FY 25-26: \$781,215,000
- FY 26-27: \$809,424,000

The DOR estimates increases to the Highway Trust Fund and Highway Allocation Fund, which is distributed to cities and counties in the table in their fiscal note response. The DOR also estimates increases in tax revenue to local governments based upon a 1.5% sales and use tax rate and is shown in that table, as well. These increases are a result of the sales and use tax changes under the bill.

The DOR estimates a one-time programming cost of \$616,081 to be paid to the Office of the Chief Information Officer (OCIO) with maintenance costs in subsequent years of \$157,532 as a result of this bill. Additionally, DOR estimates a need for 0.5 FTE Revenue Operations Clerk II and 1.0 FTE IT Applications Developer-Senior in FY25 with 0.5 FTE of that position in subsequent years. There is no basis to disagree with these OCIO and personnel estimates. However, the DOR does not assume any salary or benefits increases for FY25-26 and FY26-27 for the additional personnel needed pursuant to this bill's provisions. While the actual salary and health insurance increases for FY25-26 and thereafter are not yet determined, it is important to note that any additional personnel in FY24-25 will have ongoing rising costs associated with salary and health insurance increases, which are normally addressed in the biennial budget process for all bargaining and non-bargaining employees.

The Nebraska Association of County Officials estimates costs connected to modifying software and needed training related to new budget and levy provisions under the bill.

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2024

LB⁽¹⁾ 388, AM3419 to AM3468

FISCAL NOTE

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

Prepared by: ⁽³⁾ Elaine Menzel Date Prepared: ⁽⁴⁾ 4/11/2024 Phone: ⁽⁵⁾ 402.434.5660

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2024-25</u>		<u>FY 2025-26</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:

LB388, AM3468 would strike the original sections and all amendments and insert the following sections.

It would create the Property Tax Growth Limitation Act (the Act – sections 1-8) that would apply to counties, cities and villages. The Act would place limits on the covered political subdivisions by prohibiting a political subdivision’s property tax request from exceeding the preliminary property tax request authority (amount of property taxes levied by the county board of equalization for the political subdivision in the prior fiscal year) plus the property tax request may be increased by:

- The amount of property taxes levied in the prior year increased by the political subdivision's growth percentage, less the sum of exceptions utilized in the prior year; and
- The greater of 3% or percentage change in the consumer price index percentage. (section 3)

A county may increase its property tax request authority over the amount determined under section 3 of this act by:

- The amount of property taxes budgeted for approved bonds;
- The amount of property taxes needed to respond to an emergency declared in the preceding year, as certified to the auditor;
- The amount of unused property tax request authority determined in section 6 of this act;
- The amount of property taxes budgeted in support of (a) a service relating to an imminent and significant threat to public safety or public health that (i) was not previously provided by the political subdivision and (ii) is the subject of an agreement or a modification of an existing agreement executed after the operative date of this act, whether provided by one of the parties to the agreement or by an independent joint entity or joint public agency or (b) an interlocal agreement relating to public safety;
- The increase in property tax request authority approved by the legal voters; and
- The amount of property taxes needed to implement a 6% increase in compensation for understaffed law enforcement officer, firefighter, or corrections officer positions. (section 4)

A political subdivision may choose not to increase its total property taxes levied by the full amount of the property tax request authority allowed in a particular year. In such cases, the political subdivision may carry forward to future budget years the amount of unused property tax request authority, but accumulation of unused property tax request authority shall not exceed an aggregate of five percent of the total property tax request authority from the prior year. (section 6)

Additional changes made by LB 388, AM3468 would be to add or eliminate several provisions within the revenue and taxation statutes, including:

- imposing taxes upon advertising services (sections 9-13);
- create the Property Tax Relief Act to provide property tax relief for property taxes levied against real property by school districts. Provide \$750 million for the Property Tax Relief Act in tax year 2024 and each tax year thereafter, the amount of the prior year plus \$30 million (sections 14-18);
- making changes to the Budget Act and related provisions (sections 19 and 20);
- eliminating references to restricted funds for counties (sections 19, 20, 21, 22, 23, 24, 29, and 38)
- change provisions in the Property Tax Request Act (sections 26. 27);
- add provisions to be included on tax or special assessment statements that state levy rate and taxes due to implement an increase in understaffed law enforcement, firefighter, or corrections officer positions (section 28);
- increase tax on cigarettes from 64 cents to \$1.00 per package with 36 cents to be distributed in the Property Tax Credit Fund (section 30);
- sales tax at 5.5 percent beginning July 1, 2024, except different rate for sales tax rate in a good life district – 2.75 %; 25% sales tax on consumable hemp products (section 32) (section 35 definition)
- eliminate sales tax exemptions for veterinary (pet related) services (sections 25, 34) with the exception of those performed on livestock (section 25, 34), Nebraska lottery (sections 25) , and cleaning and repair of clothes (section 25, 34);
- impose taxation of candy and soft drinks, as defined (section 36);
- Increase the Earned Income Tax Credit from 10 % - 15% beginning January 1, 2025 (section 37);
- within the statutes providing for maximum levies, redefine base limitation by increasing the amount from 2 ½ % to 3 % for counties (section 40);
- increase the tax on an electronic nicotine delivery system from 10 % to 20 % of (i) the purchase price of such electronic nicotine delivery system paid by the first owner or (ii) the price at which the first owner who made, manufactured, or fabricated the electronic nicotine delivery system sells the item to others (section 41);
- if actual General Fund net receipts for the most recently completed fiscal year exceed estimated General Fund net receipts for such fiscal year, the State Treasurer shall transfer the excess amount to the Cash Reserve fund, except:
 - o the amount transferred to the Cash Reserve Fund shall be reduced b the excess amount calculated; and
 - o such excess amount shall be transferred to the School Property Tax Credit Fund (section 42).

A vast majority of provisions within LB 388, AM3468 are sales tax provisions and would not fiscally impact counties. Provisions contained within the Property Tax Growth Limitation Act would apply to counties and the removal of relevant sections within the Budget Act would also apply. The fiscal note is expected to be insignificant following the modification of software and the training that would be needed related to new budget and levy provisions. However, the bill leaves unaddressed how certain forms of relief will be distributed. Counties receive a 1 percent commission on property taxes distributed. A reduction in property taxes through a distribution model that does not go through the county treasurer would reduce revenues by 1 percent of any amount not distributed by the treasurer.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2024-25</u>	<u>2025-26</u>
	<u>24-25</u>	<u>25-26</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.

2024

LB⁽¹⁾ 388 AM3468

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ NE Department of Education

Prepared by: ⁽³⁾ Bryce Wilson Date Prepared: ⁽⁴⁾ 4/11/24 Phone: ⁽⁵⁾ 402-471-4320

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2024-25</u>		<u>FY 2025-26</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 388 AM 3203 implements property tax authority for ESU's and the Learning Community for fiscal years beginning July 1, 2024 and later. This change does not result in any fiscal cost to NDE but may impact ESU's and the Learning Communities ability to raise local revenue.

Additionally, this amendment eliminates a school districts ability to carry forward the board approved additional property tax authority if the additional authority is not included in the school district's tax request.

No fiscal cost to the State or to NDE.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2024-25</u>	<u>2025-26</u>
	<u>24-25</u>	<u>25-26</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____

State Agency Estimate

State Agency Name: Department of Revenue Date Due LFO: Approved by: James R. Kamm Date Prepared: 04/16/2024 Phone: 471-5896

	FY 2024-2025		FY 2025-2026		FY 2026-2027	
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue
General Funds	\$757,581	\$(45,878,000)	\$235,832	\$13,847,000	\$235,832	\$17,648,000
Cash Funds	\$750,000,000	\$769,734,000	\$780,000,000	\$801,884,000	\$810,000,000	\$831,493,000
Federal Funds						
Other Funds		\$24,394,000		\$30,709,000		\$32,497,000
Total Funds	\$750,757,581	\$748,250,000	\$780,235,832	\$846,440,000	\$810,235,832	\$881,638,000

LB 0388 amended by AM 3468 and FA 445 contains the following:

Property Tax Growth Limitation Act.

Section 1 to 8 of AM 3468 adopts the Property Tax growth Limitation Act (Act). For fiscal years beginning on or after July 1, 2024 a political subdivision’s property tax request for any year must not exceed its property tax request authority as determined under Section 4 of the Act. Section 3 sets a political subdivision’s preliminary tax authority as the amount of property taxes levied by the county board of equalization pursuant to Neb. Rev. Stat. § 77-1601 in the prior fiscal year.

Section 3 allows the political subdivision’s property tax request to be increased by the product of:

- 1) The amount of property taxes levied in the prior year increased by the political subdivision’s growth percentage, less the sum of exceptions utilized in the prior year pursuant to subdivisions 1 and 2 of Section 4 of AM 3468 and
- 2) The greater of 3% or the percentage change in the consumer price index percentage.

Section 4 creates exceptions by which a political subdivision may increase its property tax request authority over the amount determined in Section 3. Section 4 includes the following:

- 1) The amount of property taxes budgeted for approved bonds;
- 2) The amount of property taxes needed to respond to an emergency declared in the preceding year, as certified to the auditor;
- 3) The amount of unused property tax request authority determined in accordance with section 6 of this Act;
- 4) The amount of property taxes budged in support of:
 - a. A service relating to an imminent and significant threat to public safety or public health that:
 - i. Was not previously provided by the political subdivision and
 - ii. Is the subject of an agreement or a modification of an existing agreement executed after the operative date of this Act, whether provided by one of the parties to the agreement or by an independent joint entity of join public agency;
 - b. An interlocal agreement relating to public safety;

Major Objects of Expenditure

Class Code	Classification Title	24-25	25-26	26-27	24-25	25-26	26-27
		FTE	FTE	FTE	Expenditures	Expenditures	Expenditures
S29112	Revenue Op Clerk II	0.5	0.5	0.5	\$18,900	\$18,900	\$18,900
A07012	Information Technology Applications Developer/Senior	1.0	0.5	0.5	\$80,000	\$40,000	\$40,000
Benefits.....					\$32,600	\$19,400	\$19,400
Operating Costs.....					\$616,081	\$157,532	\$157,532
Travel.....							
Capital Outlay.....					\$10,000		
Capital Improvements.....							
Total.....					\$757,581	\$235,832	\$235,832

- 5) The increase in property tax request authority approved by the legal voters as provided in section 5 of this Act; and
- 6) The amount of property taxes needed to implement a 6% increase in compensation for understaffed law enforcement officer, firefighter, or corrections officer positions. Understaffing will be determined by:
 - a. For law enforcement officers, understaffing is determined using the strength of force numbers established by the Nebraska Commission on Law Enforcement and Criminal Justice.
 - b. For firefighters, understaffing is determined using the National Fire Protection Association Standard 1710.
 - c. For corrections officers, understaffing exists when the ratio of inmates to direct custody staff exceeds fifteen to one for all shifts.

The 6% increase only applies to the increase in compensation relating to filling currently vacant positions and is in addition to any percentage increase in compensation pursuant to Section 3.

Section 5 allows a political subdivision to increase its property tax request authority beyond the amount calculated in section 3 if the increase is approved by a majority of legal voters voting on the issue at an election described in Section 5 of AM3468.

Section 6 allows a political subdivision to not increase its total property taxes levied by the full amount of the property tax request authority allowed in a particular year. In such cases, the political subdivision may carry forward to future budget years the amount of unused property tax request authority, but accumulation of unused property tax request authority cannot exceed an aggregate of 5% of the total property tax request authority from the prior year.

Section 7 requires the auditor to prepare forms used by political subdivisions for the purpose of calculating their property tax request authority and any unused property tax request authority. Each political subdivision must use these forms and submit them to the auditor on or before September 30 of each year. The auditor is to notify the political subdivision and State Treasurer when a county fails to timely file the form. The State Treasurer will suspend distribution of state aid to the political subdivision until the political subdivision complies. If the political subdivision complies within six months, the State Treasurer will forward the funds to the political subdivision. If the political subdivision fails to comply within six months, the suspended funds are forfeited and:

- 1) redistributed to other recipients of state aid or
- 2) to the General Fund if the funds are homestead exemption reimbursements.

Section 8 grants authority to the auditor to adopt rules and regulations to carry out the Act.

Advertising Services Tax Act

Section 9 to 13 of AM 3468 adopts the Advertising Services Tax Act. The tax is imposed on taxpayers that are doing business in Nebraska and whose combined gross advertising revenue exceeds \$1 billion.

The tax rate is 7.5% of a person's assessable base for the reporting period. The "accessible base" is defined as the portion of gross advertising revenue that is derived from sales to customers where services are delivered within Nebraska. Gross advertising revenue is considered within Nebraska if the audience of the advertising is within Nebraska according to the IP address of the device where advertising is being viewed or, if the IP address location is unavailable, the use of another reasonable method to source the advertising revenue to Nebraska is based on the location of the viewer. If the audience is based both within and outside of Nebraska based on these sourcing rules, the gross advertising revenue is apportioned between Nebraska and other states in proportion to the location of the viewers within Nebraska as compared to the other states. The Tax Commissioner may adopt and promulgate rules and regulations determining the state from which gross advertising revenue is derived.

Property Tax Relief Act

Section 14 to 18 of AM 3468 adopts the Property Tax Relief Act (PTR Act). The PTR Act creates the School Property Tax Credit Fund (fund). The fund is used only pursuant to the PTR Act.

The amount of property tax relief granted in 2024 will be \$750 million. For each subsequent tax year, the amount of relief is the amount of relief from the prior year plus \$30 million. This relief will be in the form of property tax credits which appear on the property tax statement.

The amount disbursed to each county is equal to the amount available for disbursement multiplied by the ratio of the school district taxes levied on all real property in the county to the school district taxes levied on all real property in the state. The Property Tax Administrator (PTA) determines the amount to be disbursed to each county and certifies these amounts to the State Treasurer and each county by September 15th.

The county treasurer will determine the amount of property tax credit for each parcel by multiplying the amount disbursed to the county by the ratio of the school district taxes levied on all real property in the county.

If a property owner qualifies for a homestead exemption, the owner also is qualified to receive this credit according to the extent of any remaining liability after calculation of the relief provided by the homestead exemption. If the credit provided results in a property tax liability on the homestead less than zero, that remaining amount is returned to the PTA by July 1 of the year the amount was disbursed to the county. The PTA immediately credits any funds returned to the School Property Tax Credit Fund. Upon the return of those funds, the county treasurer must electronically file a report with the PTA, on a form prescribed by the Tax Commissioner, with the amount of funds distributed to each school district in the county in the year the funds were returned, any collection fee retained by the county in such year, and the amount of unused credits returned.

Cigarette Tax

Section 30 of AM 3468 increases the tax on cigarettes from \$0.64 to \$1.00, starting July 1, 2024. The proceeds from the increase of \$0.36 will be placed in the School Property Tax Credit Fund.

Electronic Nicotine Delivery System (ENDS)

FA 445 changes the tax rate on ENDS to 20% of the purchase price of ENDS paid by the first owner or the price at which the first owner who made, manufactured, or fabricated the ENDS sells the item to others.

Consumable Hemp Products

Section 32 of AM 3468 amends the sales tax rate imposed under Neb. Rev. Stat. § 77-2703 to impose a 25% rate on consumable hemp products. Section 35 defines consumable hemp as a finished product that contains hemp as defined in 2-503 and has a delta-9 tetrahydrocannabinol concentration of not more than 0.3 percent on a dry weight basis.

Sales Tax Exemption Repeals

AM 3468 amends §77-2701.16 (4)(g) to included in gross receipts for veterinary services, specialty services, and animal grooming performed by a licensed veterinarian or a licensed veterinary technician in conjunction with medical treatment, unless performed on livestock as defined in section 54-183.

AM 3468 amends §77-2701.16(4) to add section (i) which includes the gross income received for the cleaning of clothing, excluding any amounts exempt under § 77-2704.14.

Section 36 of AM 3468 amends § 77-2704.24 (Food or food ingredients; exemptions) to now include a definition of candy and soft drinks. Exemptions for food and food ingredients does not include candy or soft drinks. In other words, candy and soft drinks will now be taxed.

Earned Income Tax Credit

Section 37 of AM 3468 increases the earned income tax credit from 10% of the federal credit to 15% on or after January 1, 2025.

Sunset Property Tax Incentive Act.

Section 44 of AM 3468 amends the Nebraska Property Tax Incentive Act. It sunsets the school district property tax credit under Neb. Rev. Stat. § 77-6703 as applying for taxable years beginning before January 1, 2024. In addition, LB AM 3468 repeals the allowable growth percentage definition and the provisions calculating the school property tax credits for taxable years beginning on or after January 1, 2024.

Cash Reserve Transfer.

Section 42 amends Neb. Rev. Stat. § 77-4603 to provide that if actual General Fund net receipts for the most recently completed fiscal year exceed the estimated General Fund net receipts, as reported under section 77-4603(2), the Tax Commission must certify the excess amount to the State Treasurer. The State Treasurer must transfer the excess amount to the Cash Reserve, except if the actual General Fund net receipts exceed 103.5% of the actual General Fund net receipts for the previous fiscal year, the transfer is modified as follows:

- (a) The amount transferred is reduced by the excess amount calculated under this subsection; and
- (b) The excess amount must be transferred to the School Property Tax Credit Fund.

Lottery Tickets

Section 50 outright repeals Neb. Rev. Stat. § 77-2704.38, the exemption from sales and use tax on sales of lottery tickets. Per the agreements with the member lotteries for each of the national games, the Lottery is prohibited from charging more than the agreed upon price points for the game, which is \$2 for Powerball and Mega Millions. The Lottery cannot charge over the \$2 price point for the new sales tax. The sales tax would need to be included in the price point for the ticket and the sales tax would need to be deducted from the net share of sales (after payment of prizes and operating expenses) dedicated to the beneficiary funds.

Fiscal Impact

LB 0388 as amended by AM3468 and FA445 is estimated to have the following fiscal impact:

General Fund

Fiscal Year	General Fund Revenues Gain	General Fund Transfer Out to School Property Tax Credit Fund	Total General Fund Revenues
FY24-25	\$ 704,122,000	\$ (750,000,000)	\$ (45,878,000)
FY25-26	\$ 793,847,000	\$ (780,000,000)	\$ 13,847,000
FY26-27	\$ 827,648,000	\$ (810,000,000)	\$ 17,648,000

Note that the estimate of the general fund revenues impact does not account for the cash reserve transfer provision.

Various Cash Funds

Fiscal Year	School Property Tax Credit Fund Revenues	Highway Allocation Fund (Cities and Counties)	Highway Trust Fund	Local (Assume 1.5%)
FY24-25	\$ 771,866,000	\$ 660,000	\$ 3,749,000	\$ 23,734,000
FY25-26	\$ 803,146,000	\$ 778,000	\$ 4,677,000	\$ 29,931,000
FY26-27	\$ 832,539,000	\$ 873,000	\$ 4,954,000	\$ 31,624,000

Fiscal Year	Nebraska Environment Trust Fund	Various Education Funds	Nebraska State Fair Board	Compulsive Gamblers Assistance Fund
FY24-25	\$ (2,617,000)	\$ (2,617,000)	\$ (588,000)	\$ (59,000)
FY25-26	\$ (2,643,000)	\$ (2,643,000)	\$ (594,000)	\$ (59,000)
FY26-27	\$ (2,670,000)	\$ (2,670,000)	\$ (600,000)	\$ (60,000)

Cash Fund Expenditures

Fiscal Year	School Property Tax Credit Fund Expenditures
FY24-25	\$ 750,000,000
FY25-26	\$ 780,000,000
FY26-27	\$ 810,000,000

Nebraska Department of Revenue (DOR) Cost

LB 0388 as amended will require a one-time programming cost of \$616,081 paid the OCIO for creating a new filing system for taxation on hemp and advertising services. For subsequent years, maintenance for these systems is estimated to be \$157,532 annually.

DOR will also need to hire 1.0 FTE of IT Application/Developer Senior in the first year, reduced to 0.5 FTE for subsequent years. DOR also need 0.5 FTE of Revenue Operation Analyst II for implantation of LB 388 as amended.

The table below are the breakdown of the revenues which all goes to general fund revenues with the exception of cigarette tax which goes to the School Property Tax Credit Fund.

	FY24-25	FY25-26	FY26-27
Advertising Services	\$ 46,414,000	\$ 53,828,000	\$ 58,066,000
Cigarette	\$ 21,866,000	\$ 23,146,000	\$ 22,539,000
Nebraska Lottery	\$ 10,345,000	\$ 11,437,000	\$ 12,601,000
Consumable Hemp	\$ 4,318,000	\$ 5,341,000	\$ 5,609,000
Veterinary Services and Grooming (Except Livestock)	\$ 18,167,000	\$ 21,523,000	\$ 23,375,000
Cleaning and Repair of Clothing	\$ 2,509,000	\$ 2,798,000	\$ 2,859,000
Candy and Pop	\$ 36,057,000	\$ 40,325,000	\$ 41,213,000
Repeal PTC - School District	\$ 565,135,000	\$ 649,373,000	\$ 674,016,000
EITC	\$ -	\$ (14,660,000)	\$ (14,689,500)
ENDS	\$ 21,177,000	\$ 23,882,000	\$ 24,598,000

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

2024

LB⁽¹⁾ 388 FA445 AM 3203

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Lancaster County (Budget & Fiscal)

Prepared by: ⁽³⁾ Dennis Meyer Date Prepared: ⁽⁴⁾ 4-11-24 Phone: ⁽⁵⁾ 402-441-6869

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2024-25</u>		<u>FY 2025-26</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:

There was a previous concern in regard to lost revenue by the County Treasurer’s office but AM 3468 changed the language to include a one percent commission for the county. We will not know the final impact, if any, until the new process has been completed for a year.

The Property Tax Growth Limitation Act allows for the greater of 3% or the percentage change in CPI, plus allowable growth minus allowable exceptions. Lancaster County will need to work through the FY24-25 budget process to determine fiscal impact, but the four previous years would have complied with the new restrictions. The new act would not generate any additional revenue or increase spending needs.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2024-25</u>	<u>2025-26</u>
	<u>24-25</u>	<u>25-26</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	=====	=====	=====	=====