

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				
CASH FUNDS				
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 1361 would establish the Long-Term Owner Homestead Exemption Act.

Under the Act, homesteads of qualified owners would be assessed for taxation the same as other property, except that such homesteads would be eligible to receive an exemption as follows: For purposes of any political subdivision taxes, the homestead of a qualified owner would be value at zero. Qualified owner would mean an owner who has owned a homestead or homesteads in Nebraska for at least 40 years as of January 1 of the current assessment year and resides in a Nebraska homestead at such time.

A qualified owner could apply for a homestead exemption under this Act by submitting an application to the county assessor of the county in which the homestead is located on a form prescribed by the Tax Commissioner. Once the owner has received approval of the exemption, such owner would only be required to file a subsequent application in years evenly divisible by five. Any qualified owner who receives an exemption under the Act for any year would not be eligible to receive a homestead exemption under sections 77-3501 to 77-3529 for the same year.

The county treasurer and county assessor would, on or before November 30 of each year, certify to the Tax Commissioner the total tax revenue that will be lost to all political subdivisions within the county from taxes levied and assessed in that year because of exemptions allowed under the Act. The Tax Commissioner would, on or before January 1 next following such certification, notify the Director of Administrative Services of the amount so certified to be reimbursed by the state. Reimbursement of the funds lost would be made to each county according to the certification and would be distributed in six as nearly as possible equal monthly payments on the last business day of each month beginning in January. The Director of Administrative Service would, on the last business day of each month, issue payments via electronic funds transfer. Out of the amount so received the county treasurer would distribute to each of the political subdivisions within his or her county the full amount so lost by such political subdivision, except that 1% of such amount would be deposited in the county general fund. Each political subdivision would, in preparing its annual or biennial budget, take into account the amount to be received.

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

The bill would become operative January 1, 2025.

The expansion of homestead exemptions under this bill would increase General Fund expenditures starting in FY26. Given current information, the fiscal effect is indeterminant. If further information is received, the fiscal note for this bill will be updated.

Responding counties estimate IT costs to make the changes required by this bill and additional personnel to process the increase in homestead applications.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB: 75	AM:	AGENCY/POLT. SUB: Tax Equalization & Review Commission	
REVIEWED BY: Neil Sullivan	DATE: 7/30/2024	PHONE: (402) 471-4179	
COMMENTS: The Tax Equalization & Review Commission assessment of no fiscal impact from LB 75 appears reasonable.			

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

2024

LB⁽¹⁾ 75—Special Session

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Douglas County Assessor/Register of Deeds Office

Prepared by: ⁽³⁾ Michael Goodwillie Date Prepared: ⁽⁴⁾ 7/30/2024 Phone: ⁽⁵⁾ 402 444-6703

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	\$93,100.80			
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$93,100.80			\$95,422.32

Explanation of Estimate:

LB 75 would provide a full exemption (a taxable value of zero) for people who have owned a homestead in Nebraska for at least 40 years and resides in a Nebraska homestead as of January 1 of the assessment year. For this bill homestead is defined in Neb. Rev. Stat. Section 77-3202 as a residence or mobile home actually occupied by a person who is the record owner from January 1 to August 15 each year. LB 75 requires an application to the assessor’s office on a form prescribed by the Tax Commissioner. Although it uses the term “homestead” it seems to have neither an income or a valuation test for eligibility. So, if a person who owns and lives in a house in Nebraska has done so for at least forty years, they would qualify for full exemption. Any “tax loss” under this program would be reimbursed from the State of Nebraska to the local political subdivisions.

The difficulty in estimating administrative costs or tax impacts for LB 75 is that assessment offices don’t keep track of how long someone has owned a property, let alone multiple properties, potentially in several counties, over a forty year span. If you purchased your first home in your mid-twenties, by the time you hit 65, you might qualify under LB 75, so some of the people who would fit under LB 75 may already be getting homestead under the current system. Because there is no eligibility test based on income or value, LB 75 would open the door to additional applicants who might not qualify based on their income currently or who may own houses whose value exceeds the maximum value for eligibility in Douglas County (currently a little more than \$507,000).

Using the over-65 class for the current homestead exemption program as a surrogate for 40-year home ownership, for 2023, there were 717 applications that were denied from the over 65 class based on either income or value. To the extent some of those people owned a homestead in Nebraska for 40 years, those would be potential additional applications under LB 75. What is harder to estimate are those who might qualify under LB 75 who have not applied in previous years because it was obvious they would not qualify under the existing homestead program.

US Census Bureau indicates 106,997 owner-occupied homes in Douglas County. The percentage of those over 65 in the county is 14.3%. Assuming that proportion applies to owner-occupied homes, the universe of potential applicants under LB 75 would be 15,300, In 2023, there were 11,269 homesteads granted to the over-65 classification. When added to the 717 denials, there were 11,986 applications from that class for which there were no issues with ownership or occupancy. Potentially then, there could be an additional 3,314 applications filed under LB 75, over and above what our office already gets for the current homestead exemption program. The review of these may be complicated by the potential for the applicant to have owned multiple houses in Nebraska, adding up to forty years of home ownership. To the extent there was some verification process to confirm that ownership history, each application would require a follow-up, probably with the local recording office to verify ownership and that would be time consuming. Therefore, given the potential

for new applicants and the effort involved in verifying ownership information, our office think we would need two additional staffers for application review.

As for the potential tax loss, if all of those possible new applicants apply, using the average value for 2023 of a single family residence in Douglas County (\$253,990 x 3,314) that represents \$841,722,860 in value and, at a 2.245 % rate, a tax loss to be reimbursed by the state of \$18,896,678.

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>
Assessor Support Tech	2	2	\$93,100.80	\$95,422.32
Benefits.....				
Operating.....				
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
TOTAL.....			\$93,100.80	\$95,422.32

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2024

LB⁽¹⁾ 75

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Lancaster County Assessor/Register of Deeds

Prepared by: ⁽³⁾ Dan Nolte Date Prepared: ⁽⁴⁾ 07/30/24 Phone: ⁽⁵⁾ 402-441-7463

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	<u>75,000</u>	<u> </u>	<u>65,000</u>	<u> </u>
CASH FUNDS	<u> </u>	<u> </u>	<u> </u>	<u> </u>
FEDERAL FUNDS	<u> </u>	<u> </u>	<u> </u>	<u> </u>
OTHER FUNDS	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL FUNDS	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Explanation of Estimate: \$10,000 for computer programming changes, \$65,000 for additional staff person to process and verify applications. Estimates could be low based on amount of time necessary to research.

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.....	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Operating.....	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Travel.....	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Capital outlay.....	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Aid.....	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Capital improvements.....	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL.....	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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2024

LB⁽¹⁾ 75

FISCAL NOTE

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

Prepared by: ⁽³⁾ Kevin Nelson Date Prepared: ⁽⁴⁾ 7/30/2024 Phone: ⁽⁵⁾ 402-441-7448

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:

The passage of this this bill would result in a decrease in commissions collected for properties that receive the long-term owner homestead exemption. The amount of this lost revenue cannot be easily determined at this time. Lost property tax revenue would be reimbursed by the State of Nebraska. This bill would have minimal fiscal impact on the expenditures of Lancaster County.

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.....	_____	_____	_____	_____

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2024

LB⁽¹⁾ 75

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Tax Equalization & Review Commission

Prepared by: ⁽³⁾ Rob Hotz Date Prepared: ⁽⁴⁾ 7/29/24 Phone: ⁽⁵⁾ (402) 471-2842

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:

No fiscal impact. The agency is unable to determine the number of appeals that would result from the process proposed by this legislation.

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.....	_____	_____	_____	_____