

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2015-16		FY 2016-17	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$60,600	\$0	\$56,800	(\$3,070,000)
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$60,600	\$0	\$56,800	(\$3,070,000)

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

LB 615 creates a property tax exemption for homesteads owned and occupied by persons age 67 or over.

The exemption applies to the increase in assessed value of the homestead from a base year to the current year. The base year is either, for a person who is 67 years of age or older on or after January 1, 2016: a) the year the homestead is purchased or constructed; b) if the person already owns the homestead it is the year the bill becomes operative (2016). For a person who turns 67 after January 1, 2016, the base year is the year in which the person turns 67. In this context, current year refers to years after the operative date of this bill (January 1, 2016) in which valuation is made. In effect, taxable valuation is frozen at the base year level.

The exemption would not apply to substantial improvements to the homestead after the person first qualifies for the exemption. What comprises a substantial improvement is not defined in LB 615.

The bill provides that the new exemption created by the bill also applies to individuals who are currently eligible for the existing homestead exemptions and that all exemption amounts are added together to determine the property tax liability, but in no case may the liability be less than zero.

The Department of Revenue indicates the following fiscal impact to the General Fund as a result of LB 615:

FY2015-16:	\$ 0
FY2016-17:	(\$ 3,070,000)
FY2017-18:	(\$ 3,132,000)
FY2018-19:	(\$ 3,194,000)

We have no basis to disagree with the Department of Revenue's estimate of fiscal impact.

NOTE: It should be noted that the loss to the General Fund is a result of the additional exemption that individuals currently eligible for the existing homestead exemption would receive and is the amount the state would reimburse political subdivisions for the additional exemption. However, this does not account for the entire amount of reduced revenue political subdivisions would incur. There is no mechanism in LB 615 to provide for state reimbursement of the lost revenue due to individuals not eligible for the current homestead exemption receiving the new exemption. Because the new exemption applies to everyone age 67 or over and there are no limitations on income or home value specified in LB 615, the political subdivision's loss of revenue could be substantial.

The Department of Revenue indicates the cost to implement LB 615 will require 0.5 FTE Revenue Tax Specialist and 0.5 FTE Senior Application Developer, necessary to administer the program. This cost includes PSL of \$55,600 and \$56,800 for FY2015-16 and FY2016-17, respectively.

We agree with the Department of Revenue's estimate of cost.

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES		
LB: 615	AM:	AGENCY/POLT. SUB: Dept. of Revenue
REVIEWED BY: Lyn Heaton	DATE: 2/11/2015	PHONE: 471-4181
COMMENTS: No basis upon which to disagree with the Department of Revenue's estimate of the dollar amount that would be needed to reimburse political subdivisions.		

