

FISCAL NOTE
 LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2019-20		FY 2020-21	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	See below		See below	
CASH FUNDS		See below		See below
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	See below	See below	See below	See below

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

LB 523 exempts deeds transferring real property to or from a nonprofit organization operated for educational, religious, charitable, or cemetery purposes, if the transfer is for nominal consideration, from documentary stamp tax.

LB 523 creates an exemption from property tax and motor vehicle tax for property owned by a limited liability company, which is wholly owned by an educational, religious, charitable, or cemetery organization or any organization for the exclusive benefit of such organization and used exclusively for such purposes if the LLC meets certain organizational requirements.

To qualify for the exemptions, the LLC must meet organizational requirements, contained in the certificate of organization or similar document, specifying that the LLC: (1) is organized and operated exclusively to benefit and further the purposes of an organization who otherwise qualifies for exemption; (2) is wholly owned by an organization whose property qualifies for exemption; (3) prohibits discrimination based on race, color, or national origin; (4) prohibits use of the property for financial gain or profit to the owner and prohibits use of the property for sale of alcoholic liquor more than 20 hours per week; and (5) upon dissolution, all assets of the LLC must be distributed to an organization whose property qualifies for exemption.

An organization must follow the current application procedures to be granted the property tax exemption. The bill is operative January 1, 2020.

It is not possible to determine the fiscal impact of LB 523. The documentary stamp tax exemption could result in a reduction in cash fund revenue to various cash funds and to counties due to a reduction in documentary stamp tax collected, but it is not possible to determine the amount of any such reduction.

There could be a reduction in property tax and motor vehicle tax revenue collected in certain political subdivisions, but the impact will vary based on where the exempt property is located and the amount is indeterminate. Additionally, the property tax exemption decreases local resources for purposes of calculating TEEOSA aid. A decrease in local resources can result in an increase in TEEOSA aid, depending on whether a district is eligible for equalization aid.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB: 523	AM:	AGENCY/POLT. SUB: Nebraska Association of County Officials (NACO)	
REVIEWED BY: Lee Will	DATE: 2/4/2019	PHONE: (402) 471-4175	
COMMENTS: Concur with NACO's assessment of no fiscal impact.			

State Agency Estimate

State Agency Name: Department of Revenue Date Due LFA: 2/5/19
Approved by: Tony Fulton Date Prepared: 1/30/19 Phone: 471-5896

	FY 2019-2020		FY 2020-2021		FY 2021-2022	
	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>
General Funds	See below		See below		See below	
Cash Funds		See below		See below		See below
Federal Funds						
Other Funds						
Total Funds	See below	See below	See below	See below	See below	See below

LB523 amends Neb. Rev. Stat. § 76-902 to exempt deeds transferring real property to or from nonprofit organizations operated for educational, religious, charitable, or cemetery purposes from documentary stamp tax if the transfers are for nominal consideration.

The bill also amends Neb. Rev. Stat. § 77-202 to add a property tax exemption for property owned by limited liability companies (LLC) that are wholly owned by an educational, religious, charitable, or cemetery organization whose property qualifies for an exemption under Neb. Rev. Stat. § 77-202(1)(d) (qualifying organization). To qualify, an LLC’s certificate of organization must contain the following: 1) organizational language specifying that it is organized and operated exclusively to benefit and further the purposes of a qualifying organization, 2) organizational language requiring the LLC to be wholly owned by a qualifying organization, 3) organizational language prohibiting discrimination in membership based on race, color, or national origin, 4) organizational language prohibiting use of property for financial gain or profit to the owner or user and prohibiting use of the property for the sale of alcohol for more than twenty hours per week, and 5) organizational language specifying that upon dissolution, all assets of the LLC will be distributed to a qualifying organization.

The new property tax exemption will have an effect on TEEOSA, which will have a corresponding impact on General Fund expenditures.

The Department does not have data on the transferring of real property for the organizations classified in LB 523, hence we are unable to determine the decrease in documentary stamp tax. The documentary stamp exemption in LB 523 will result in a reduction in the collection of documentary stamp tax. This in turn will reduce payments to the Affordable Housing Trust Fund, Site and Building Development Fund, Homeless Shelter Assistance Trust Fund, and Behavioral Health Services Fund.

It is estimated that there will be minimal cost to the Department to implement the bill.

The bill becomes operative January 1, 2020.

Major Objects of Expenditure

<u>Class Code</u>	<u>Classification Title</u>	19-20	20-21	21-22	19-20	20-21	21-22
		<u>FTE</u>	<u>FTE</u>	<u>FTE</u>	<u>Expenditures</u>	<u>Expenditures</u>	<u>Expenditures</u>
Benefits.....							
Operating Costs.....							
Travel.....							
Capital Outlay.....							
Capital Improvements.....							
Total.....							

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2019

LB⁽¹⁾ 523

FISCAL NOTE

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

Prepared by: ⁽³⁾ Elaine Menzel Date Prepared: ⁽⁴⁾ 1/23/2019 Phone: ⁽⁵⁾ (402) 434.5660

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2019-20</u>		<u>FY 2020-21</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.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2019-20 EXPENDITURES</u>	<u>2020-21 EXPENDITURES</u>
	<u>19-20</u>	<u>20-21</u>		
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____