

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2021-22		FY 2022-23	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS		\$975		\$1,300
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS		\$975		\$1,300

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

LB226 changes an exception to when a motor vehicle tax is imposed. Under current statute, a vehicle that is owned and used exclusively by an organization or society qualified for a tax exemption provided for at 77-202(1)(c) or (d) is exempt from taxation. The proposed language of the bill would disregard the first \$28,000 of the vehicle value when determining its value under section 60-3,190*. The remaining value would be subject to the motor vehicle tax.

The Department of Motor Vehicles has indicated there are currently 216 vehicles registered as tax exempt organizations that have a value over \$28,000 that would be subject to the motor vehicle tax. The estimated tax revenue amount is \$130,000 each fiscal year.

NRS 60-3,186 directs distribution of the motor vehicle taxes based on the vehicles situs as follows in the table below. The final column of the table provides the estimated revenue decrease for each entity who receives a portion of the revenue from the motor vehicle tax. Please also note the FY22 figures are adjusted to account for the assumption the bill will be effective September 1, 2021 (three months after adjournment) and a one (1) month lag in tax receipts.

Motor Vehicle Tax Distribution and Estimated Revenue Increase			
Entity Receiving	Distribution	FY22	FY23
Counties for Costs Incurred	1% of Total	975	1,300
DMV VTR Repl. And Maint. Cash Fund	1% of Total	975	1,300
Local School System or District	60% of Remaining	57,330	76,440
Local Government (City, Village, County)*	40% of Remaining	38,220	50,960

*There are three (3) types of distribution that can occur with regard to Counties and Cities/Villages with the portion remaining after the initial 2% is remitted to the DMV and Counties:

- 1) 18% to city or village & 22% to county
- 2) 40% to County – If the tax district is not in a city or village
- 3) 22% to city or village & 18% to county – If the county contains a city of metropolitan class

NRS 60-3,186(d)(3) requires the proceeds from motor vehicle taxes be treated as property tax revenue. The proceeds are considered “other receipts” in the Tax Equity and Educational Opportunities Support Act (TEEOSA) formula. Based on FY18 data, schools receiving equalization aid under TEEOSA received 72.1 percent of the total motor vehicle tax proceeds that were distributed to local school systems or districts. Because there is a potential increase in receipts to those local school systems or districts that receive equalization aid, there is a corresponding General Fund impact (i.e. decrease in General Fund expenditures). To determine the General Fund impact (see table below), the following items were taken into account:

- 1) School Year (September-August) revenue increases were calculated using the DMV provided projections for school years 2021-22 and 2022-23
- 2) Local School System or District revenue was multiplied by a 0.721 factor.
- 3) Accounted for two (2) year lag in when Motor Vehicle Tax receipts are considered in the TEEOSA formula.

(continued)

General Fund Decrease in Funding for TEEOSA	
FY24	FY25
50,520	55,297

The Department of Education has indicated the bill would result in additional motor vehicle taxes paid to school districts which would reduce the amount of aid provided to equalized districts under TEEOSA by an amount that they could not determine at this time.

The Department of Revenue has indicated the bill will have no impact on General Fund revenues and no costs to implement the provisions of the bill.

*Technical Note: Line 27 on page two (2) of the bill references 60-3,190 which speaks to the motor vehicle fee, rather than the motor vehicle tax. As the intent of the bill (per the statement of intent) is to change the exceptions to when a motor vehicle is subject to the motor vehicle tax, a technical amendment is needed to insert 60-3,187 in place of 60-3,190 on page two (2), line 27.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB: 226	AM:	AGENCY/POLT. SUB: Nebraska Department of Motor Vehicles	
REVIEWED BY:	Lucas Martin	DATE: 01/21/2021	PHONE: (402) 471-4181
COMMENTS: No basis to disagree with the Department of Motor Vehicles' assessment of fiscal impact to the DMV Vehicle Title and Registration Replacement and Maintenance Fund.			

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB: 226	AM:	AGENCY/POLT. SUB: Nebraska Department of Education	
REVIEWED BY:	Lucas Martin	DATE: 01/15/2021	PHONE: (402) 471-4181
COMMENTS: No basis to disagree with Department of Education's assessment of fiscal impact to the TEEOSA formula.			

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB: 226	AM:	AGENCY/POLT. SUB: Nebraska Department of Revenue	
REVIEWED BY:	Lucas Martin	DATE: 01/27/2021	PHONE: (402) 471-4181
COMMENTS: No basis to disagree with the Department of Revenue's assessment of no fiscal impact.			

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

2021

LB⁽¹⁾ 226

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Department of Motor Vehicles

Prepared by: ⁽³⁾ Bart Moore Date Prepared: ⁽⁴⁾ January 19, 2021 Phone: ⁽⁵⁾ 402-471-3902

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2021-22</u>		<u>FY 2022-23</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	1,300	_____	1,300
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	=====	=====	=====	=====

Explanation of Estimate:

There are currently 216 vehicles registered as tax exempt organizations where the MSRP is greater than \$28,000. Taxing the amount over \$28,000 MSRP for these vehicles would increase Motor Vehicle Tax collections by \$130,000 each fiscal year. The result of this increase to the DMV would be in the Vehicle Title and Registration Replacement and Maintenance Fund by \$1,300 which collects 1% of the Motor Vehicle Tax.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2021-22</u>	<u>2022-23</u>
	<u>21-22</u>	<u>22-23</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.

2021

LB⁽¹⁾ 226

FISCAL NOTE

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

Prepared by: ⁽³⁾ Bryce Wilson Date Prepared: ⁽⁴⁾ 1/13/21 Phone: ⁽⁵⁾ 402-471-4320

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2021-22</u>		<u>FY 2022-23</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 226 limits the motor vehicle tax exemption for organizations or qualified tax-exempt society's under subdivision (1)(c) or (d) of section 77-202 to the first twenty-eight thousand dollars of value. Currently, the full value of the vehicle is exempt from motor vehicle taxes.

If implemented this bill would result in additional motor vehicle taxes paid to school districts. Motor vehicle taxes are an accountable receipt in the TEEOSA formula so any increase in motor vehicle taxes for equalized districts would reduce the amount of TEEOSA required to be funded by the State. The decrease in TEEOSA can't be determined at this time.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2021-22</u>	<u>2022-23</u>
	<u>21-22</u>	<u>22-23</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: Tony Fulton

Date Prepared: 1/27/2021

Phone: 471-5896

	<u>FY 2021-2022</u>		<u>FY 2022-2023</u>		<u>FY 2023-2024</u>	
	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>
General Funds	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Cash Funds						
Federal Funds						
Other Funds						
Total Funds	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

ReLB 226 attempts to limit the outright exemption from the motor vehicle tax granted to certain nonprofit organizations, by instead subtracting \$28,000 from the manufacturer’s suggested retail price of the motor vehicle when new, and calculating the tax based on this lower value. However, the cross reference on page 2, line 27 is to Neb. Rev. Stat. § 60-3,190 instead of 60-3,187. This bill becomes operative three months after adjournment.

LB 226 will have no impact on General Fund Revenues.

It is estimated that there will be no costs to DOR to implement this bill.

Major Objects of Expenditure

<u>Class Code</u>	<u>Classification Title</u>	<u>21-22 FTE</u>	<u>22-23 FTE</u>	<u>23-24 FTE</u>	<u>21-22 Expenditures</u>	<u>22-23 Expenditures</u>	<u>23-24 Expenditures</u>
	Benefits.....						
	Operating Costs.....						
	Travel.....						
	Capital Outlay.....						
	Capital Improvements.....						
	Total.....						