

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2022-23		FY 2023-24	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$548,144,930	\$548,000,000	\$1,109,000,000	\$560,000,000
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$548,144,930	\$548,000,000	\$1,109,000,000	\$560,000,000

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

LB 688 seeks to adopt the Property Tax Reduction Act (the Act) to amend sections of the Property Tax Incentive Act.

Section 2 identifies the purpose of the Act to provide property tax relief related to taxes levied by school districts in the form of a direct property tax credit.

Section 3 defines terms and designates the Department of Revenue (DOR) to administer the Act.

Section 4 establishes the Property Tax Reduction Cash Fund. Revenues received by the fund are to be used by the state investment officer pursuant to the Nebraska Capital Expansion Act and the Nebraska State Funds Investment Act.

Section 5 describes the process in which DOR will set the credit percentage. This process is identical to the Property Tax Incentive Act under the ImagiNE Nebraska Act, except that the Act sets the credit allocation to \$375 million in tax year 2024. Section 5 provides for the reimbursement of school districts for property tax revenue lost due to the credit.

Section 5 allows for taxpayers qualifying for a homestead exemption to also receive the credit under the Act. If such a credit would create a negative liability for the taxpayer, the unused amount is to be credited back to the Property Tax Reduction Cash Fund.

Section 6 eliminates language in the Property Tax Incentive Act defining allowable growth percentage.

Section 7 strikes language in the Property Tax Incentive Act related to the credit allocation calculation in taxable years on or after January 1, 2022, to be replaced by the Act.

Sections 8 and 9 relate to transfers made to the Cash Reserve Fund, amending language to harmonize with the Act.

LB 688 amends the distributional process for the credits allocated under the Property Tax Incentive Act and does not change the credit calculation. As written, however, the revenue gain from reallocating the credits in the Property Tax Incentive Act to an expenditure will influence the total credit calculation for FY24 dramatically.

Total credits will be \$548 million in FY23, showing as both a revenue gain and expenditure gain. The Department of Revenue estimates that total credits allocated in FY24 will increase expenditures to \$1.109 billion with a \$560 million revenue gain. The Act resets the credit total to \$375,000,000 in tax year 2024. For 2024 and each following year, the expenditure and revenue gains will have no net General Fund impact.

The Fiscal Office agrees with this assessment.

The Department of Revenue estimates a one-time OCIO charge of \$144,930 to implement LB 688. There is no basis to disagree with this estimate.

The impact to political subdivisions appears to be minimal. Douglas County estimates a potential programming charge to change their reporting system, and Lancaster County estimates no fiscal impact. The Nebraska Association of County Officials estimates that counties could be fiscally impacted by a "loss in commission on this portion of funds being credited" but was unable to estimate an amount. There is no basis to disagree with these estimates.

CONTINUED

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 688	AM:	AGENCY/POLT. SUB: Lancaster County Assessor
REVIEWED BY: Neil Sullivan	DATE: 1/18/2022	PHONE: (402) 471-4179
COMMENTS: No basis to disagree with the assessment of no fiscal impact to the Lancaster County Assessor from LB 688.		

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 688	AM:	AGENCY/POLT. SUB: Douglas County Assessor
REVIEWED BY: Neil Sullivan	DATE: 1/14/2022	PHONE: (402) 471-4179
COMMENTS: The Douglas County Assessor assessment of minimal fiscal impact from LB 688 appears reasonable.		

State Agency Estimate

State Agency Name: Department of Revenue Date Due LFO:
 Approved by: Tony Fulton Date Prepared: 1/18/2022 Phone: 471-5896

	FY 2022-2023		FY 2023-2024		FY 2024-2025	
	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>
General Funds	\$548,144,930	\$548,000,000	\$1,109,000,000	\$560,000,000	\$375,000,000	\$375,000,000
Cash Funds						
Federal Funds						
Other Funds						
Total Funds	\$548,144,930	\$548,000,000	\$1,109,000,000	\$560,000,000	\$375,000,000	\$375,000,000

LB 688 creates the Property Tax Reduction Act (Act) and the Property Tax Reduction Cash Fund (Fund). Beginning with tax year 2022, each eligible taxpayer will receive a property tax credit against the school district taxes levied on his or her property. It will appear on the property tax statement. The credit amount will equal the credit percentage for the tax year, as set by the Department of Revenue (DOR), multiplied by the amount of school district taxes levied against the eligible taxpayer’s property for that year. Likewise, LB 688 ends the issuance of credits under the Property Tax Incentive Act for use against income and franchise taxes for taxable years beginning before January 1, 2022.

The Act defines allowable growth percentage as the percentage increase, if any, in the total assessed value of all real property in Nebraska from the prior year to the current year, as determined by DOR, except that the amount cannot exceed 5%. Eligible taxpayer means any individual, corporation, partnership, limited liability company, trust, estate, or other entity that pays school district taxes. School district property taxes means property taxes levied on real property in Nebraska by school districts, excluding property taxes levied for bonded indebtedness and property taxes levied because of limit overrides on property tax levies.

DOR will set the credit percentage as follows:

- For tax year 2022, DOR will set the credit percentage so that the total amount of credits for such year is the maximum of the income tax credits allowed under Neb. Rev. Stat. § 77-6703(2)(b) of the Property Tax Incentive Act for taxable years beginning in calendar year 2021 plus either
 - i. The amount calculated for such calendar year under § 77-4602(3)(b)(ii)(B) or
 - ii. The amount calculated for such calendar year under § 77-4602(3)(c)(ii)(B), whichever is applicable.
- For tax year 2023, DOR will set the credit percentage so that the total amount of credits for such year is the maximum amount of credits allowed in tax year 2022 plus either
 - i. The amount calculated for such calendar year under § 77-4602(3)(b)(ii)(B) or

Major Objects of Expenditure

<u>Class Code</u>	<u>Classification Title</u>	<u>22-23 FTE</u>	<u>23-24 FTE</u>	<u>24-25 FTE</u>	<u>22-23 Expenditures</u>	<u>23-24 Expenditures</u>	<u>24-25 Expenditures</u>
	Benefits.....						
	Operating Costs.....				\$144,930		
	Travel.....						
	Capital Outlay.....						
	Capital Improvements.....						
	Total.....				\$144,930		

- ii. The amount calculated for such calendar year under § 77-4602(3)(c)(ii)(B), whichever is applicable.
 - For taxable year 2024, DOR will set the credit percentage so that the total amount of credits for such year shall be \$375 million.
 - For taxable year 2025 and each tax year thereafter, DOR will set the credit percentage so that the total amount of credits for such year shall be \$375 million plus the allowable growth percentage.

Eligible taxpayers who qualify for the homestead exemption are qualified for the property tax credit to the extent of any remaining liability after the homestead exemption. If this property tax credit results in a property tax liability on the homestead that is less than zero, the amount that cannot be used will be returned by the school district to the Property Tax Administrator by July 1 of the year the amount was disbursed. The Property Tax Administrator must immediately credit any funds returned to the Fund. Upon the return of any credit amounts, the school district must electronically file a report with the Property Tax Administrator, on a form prescribed by the Tax Commissioner, indicating the amount of unused credits returned.

The Act requires the State to reimburse school districts for the property tax revenue lost as result of the granted property tax credits. The amount disbursed to each school district will equal the total amount of credits for the year multiplied by the ratio of the total school district taxes levied by the school district to the total school district taxes levied in Nebraska. By September 15th, the Property Tax Administrator must determine the amount to be disbursed to each school district and certify the amounts to the State Treasurer and each school district. The disbursements will occur in two equal payments on January 31st and April 1st.

The Nebraska Transformational project Fund cannot make any transfer before fiscal year 2025-26 or before the total amount of property tax credits granted annually under the Act reaches \$375 million. In addition to the Nebraska Property Tax Incentive Act, LB 688 prohibits the transfer of funds from the Cash Reserve Fund to fulfill the obligations created under the Act unless the fund after such transfer equal at least \$500 million.

LB 688 will have the following impact to both General Fund revenues and expenditures:

	General Fund Revenues	General Fund Expenditures
FY 2022-23	\$ 548,000,000	\$ 548,000,000
FY 2023-24	\$ 560,000,000	\$ 1,109,000,000
FY 2024-25	\$ 375,000,000	\$ 375,000,000

LB 688 would require a one-time programming charge of \$144,930 paid to the OCIO for mainframe and web development costs.

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

2022

LB⁽¹⁾ 688

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Lancaster County Assessor/ROD

Prepared by: ⁽³⁾ Scott Gaines Date Prepared: ⁽⁴⁾ 1/7/22 Phone: ⁽⁵⁾ 402-441-6580

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2022-23</u>		<u>FY 2023-24</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 to the Lancaster County Assessor's Office.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2022-23</u>	<u>2023-24</u>
	<u>22-23</u>	<u>23-24</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.

2022

LB⁽¹⁾ 688

FISCAL NOTE

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

Prepared by: ⁽³⁾ Michael Goodwillie

Date Prepared: ⁽⁴⁾ 1/12/2021

Phone:
(5)(402) 444-6703

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2022-23</u>		<u>FY 2023-24</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 688 would provide for a credit on a taxpayer’s property tax bill for school district property taxes paid. The Department of Revenue determines a “credit percentage” which, when multiplied by the school district taxes for the taxpayer, would determine the amount of the credit. The State of Nebraska would reimburse school districts for tax losses resulting from the application of the credit. The credit also applies to taxpayers receiving homestead exemption when there is a remaining tax liability after the homestead exemption has been applied.

Currently, our office keeps track of the property tax credit amount, enters it into the county’s billing system, and the system calculates the tax bill, including the credit. We would do the same with this credit percentage that we would receive under LB 688. So we would anticipate no cost to administer the bill directly to our office. That said, this credit appears to be calculated in a different way than the existing credit is and the application of the credit would require some additional programming from DotComm—the tech entity that programs and generates the tax billing for the county.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2022-23</u>	<u>2023-24</u>
	<u>22-23</u>	<u>23-24</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.

2022

LB⁽¹⁾ 688

FISCAL NOTE

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

Prepared by: ⁽³⁾ Elaine Menzel Date Prepared: ⁽⁴⁾ 1/11/2022 Phone: ⁽⁵⁾ 402.434.5660

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2022-23</u>		<u>FY 2023-24</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 688 would adopt the Property Tax Reduction Act and eliminate credits under the Nebraska Property Tax Incentive Act.

While the county treasurers would send out the tax statements, the credit for eligible taxpayers would be for a credit for school district taxes levied and the Department of Revenue provides the forms and schedules for verifying eligibility for the credits. Since it is essentially a "state aid" related bill, counties would be fiscally impacted by a loss in commissions on that portion of funds. That amount is unknown.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2022-23</u>	<u>2023-24</u>
	<u>22-23</u>	<u>23-24</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____