

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2023-24		FY 2024-25	
	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 695 seeks to create a property tax exemption for the first \$25,000 of taxable valuation of any real property, except that such exemption would only apply if the real property is owned by a resident of the state or by an entity organized under the laws of the state.

The bill would become operative on January 1, 2024.

The Department of Revenue (DOR) estimates that the bill would affect the Tax Equity and Educational Opportunities Support Act (TEEOSA) funding, which will have a corresponding impact on General Fund expenditures. Additionally, the DOR estimates that there will be no cost to it to implement the bill. There is no basis to disagree with these estimates.

Political subdivisions would see a significant reduction in taxable property valuations. The Nebraska Association of County Officials (NACO) estimates over \$27.688 billion reduction in taxable value statewide as a result of the bill. This value is for all real property in the state and does not remove nonresident and non-state entity property from the value, the percentage of which is unknown. Tax levies could be raised in some political subdivisions, if possible, within allowable levy limitations to offset the loss in revenue at current tax levy levels. Political subdivisions at the levy limit will have revenue as a result of the bill.

Reductions in property valuations will reduce local resources in the TEEOSA formula. When local resources are reduced, additional equalization aid is required, which will increase State General Fund expenditures. Depending on the magnitude of the reduction in valuation, the impact to TEEOSA could be to increase equalization aid to school districts that already receive equalization aid and also to require equalization aid to be distributed to districts that do not currently receive such aid.

Political subdivisions may also incur costs for administration and programming as a result of changes from this bill.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB: 695	AM:	AGENCY/POLT. SUB: Department of Revenue	
REVIEWED BY: Neil Sullivan	DATE: 3/20/2023	PHONE: (402) 471-4179	
COMMENTS: No basis to disagree with the Department of Revenue assessment of no fiscal impact from LB 695.			

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 695	AM:	AGENCY/POLT. SUB: Nebraska Association of County Officials
REVIEWED BY: Neil Sullivan	DATE: 3/20/2023	PHONE: (402) 471-4179
COMMENTS: No basis to disagree with the Nebraska Association of County Officials assessment of fiscal impact from LB 695.		

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 695	AM:	AGENCY/POLT. SUB: Douglas County
REVIEWED BY: Neil Sullivan	DATE: 3/20/2023	PHONE: (402) 471-4179
COMMENTS: No basis to disagree with the Douglas County assessment of fiscal impact from LB 695.		

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 695	AM:	AGENCY/POLT. SUB: Lancaster County
REVIEWED BY: Neil Sullivan	DATE: 3/20/2023	PHONE: (402) 471-4179
COMMENTS: No basis to disagree with the Lancaster County assessment of indeterminate impact from LB 695.		

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 695	AM:	AGENCY/POLT. SUB: Lancaster County Assessor
REVIEWED BY: Neil Sullivan	DATE: 3/20/2023	PHONE: (402) 471-4179
COMMENTS: No basis to disagree with the Lancaster County Assessor assessment of potential fiscal impact from LB 695.		

State Agency Estimate

State Agency Name: Department of Revenue				Date Due LFO:				
Approved by: Glen White				Date Prepared: LEAVE BLANK		Phone: 471-5896		
	<u>FY 2023-2024</u>			<u>FY 2024-2025</u>			<u>FY 2025-2026</u>	
	<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								
Federal Funds								
Other Funds								
Total Funds	See Below			See Below			See Below	

LB 695 amends Neb Rev. Stat. § 77-202 to include an additional property tax exemption that allows for the first \$25,000 of taxable valuation of any real property to be exempt from property taxes. This exemption only applies to real property owned by a Nebraska resident or entities organized under the laws of Nebraska.

LB 695 will affect TEEOSA, which will have a corresponding impact on General Fund expenditures.

LB 695 becomes operative on January 1, 2024.

It is estimated that there will be no cost to the Department of Revenue to implement this bill.

Major Objects of Expenditure

<u>Class Code</u>	<u>Classification Title</u>						
		<u>23-24</u>	<u>24-25</u>	<u>25-26</u>	<u>23-24</u>	<u>24-25</u>	<u>25-26</u>
		<u>FTE</u>	<u>FTE</u>	<u>FTE</u>	<u>Expenditures</u>	<u>Expenditures</u>	<u>Expenditures</u>
Total							

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2023

LB⁽¹⁾ 695

FISCAL NOTE

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

Prepared by: ⁽³⁾ Elaine Menzel Date Prepared: ⁽⁴⁾ 1/24/2023 Phone: ⁽⁵⁾ 402.434.5660

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2023-24</u>		<u>FY 2024-25</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:

LB695 would provide a property tax exemption of the first \$25,000 of taxable valuation of any real property, if the real property is owned by a resident of Nebraska or by an entity organized under the laws of the state. The act would become operative January 1, 2024.

There are 1,107,509 total taxable real property records, so this number of records times \$25,000 would amount to over \$27.688 billion in taxable valuable. It is unknown how much of this value would apply to residents only; however, it appears the impact could be significant to the tax base value.

The statewide average tax rate is 1.7599.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2023-24</u>	<u>2024-25</u>
	<u>23-24</u>	<u>24-25</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____

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2023

LB695⁽¹⁾ Provide a property tax exemption

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ DOUGLAS COUNTY, NEBRASKA

Prepared by: ⁽³⁾ Marcos San Martin,
Douglas County
Administration
Date Prepared: ⁽⁴⁾ 1/26/2023
Phone: ⁽⁵⁾ 402-444-5116
Mike Goodwillie,
Douglas County
Assessor/Register of Deeds
402-444-8683

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2023-24</u>		<u>FY 2024-25</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	<u>N/A</u>	<u>(\$13.89M) LOSS / REDUCTION</u>	<u>N/A</u>	<u>LOSS</u>

Explanation of Estimate:

NEGATIVE (DETRIMENTAL) FISCAL IMPACT TO DOUGLAS COUNTY

LB695 will exempt the first twenty-five thousand dollars (\$25,000) of taxable valuation of all real property owned by a Nebraska resident/corporation.

- Douglas County has nearly 183,000 real property parcels with an assessed value greater than (>) \$25,000 with the owner's mailing address in Nebraska. Multiplied by \$25,000, this represents a value of ≈\$4,575,000,000.
- An additional 36,000 parcels with a value of less than (<) \$25,000 would not be subject to property taxes at all (effectively become “tax-free” under LB695) and currently have a total value of \$123,737,533.

Using these values, LB695 would exempt a total of \$4,698,737,533 from taxation. Based on that exempted total, a LOSS estimate of ≈ 8 to 9% of revenue to Douglas County would occur totaling approximately **\$13.89M (≈ \$13,888,998)** dollars (based on “2022” revenues/values using Douglas County’s current levy rate of 0.29559 per \$100 in property value).

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2023

LB⁽¹⁾ 695

FISCAL NOTE

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

Prepared by: ⁽³⁾ Dennis Meyer Date Prepared: ⁽⁴⁾ 1/27/2023 Phone: ⁽⁵⁾ 402-441-6869

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2023-24</u>		<u>FY 2024-25</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:

Lancaster County's valuation along with other political subdivisions' valuations would be reduced which could put added pressure on the levy side which could effect the allocation of the 15 cents to miscellaneous subdivisions. The dollar amount is unknown at this time.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2023-24</u>	<u>2024-25</u>
	<u>23-24</u>	<u>24-25</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.

2023

LB⁽¹⁾ 695

FISCAL NOTE

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

Prepared by: ⁽³⁾ Derrick Niederklein Date Prepared: ⁽⁴⁾ 1/27/2023 Phone: ⁽⁵⁾ 402.441.8755

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2023-24</u>		<u>FY 2024-25</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	\$10,000			
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	<u>\$10,000</u>			

Explanation of Estimate:

Assuming the programming would be done on the assessment roll, our computer vendor would need a fair number of hours for programming, testing, and implementation.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2023-24</u>	<u>2024-25</u>
	<u>23-24</u>	<u>24-25</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Benefits.....				
Operating.....				
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
TOTAL.....				