

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2016-17		FY 2017-18	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS			\$160,000	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS			\$160,000	

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

LB 825 would require owners of property exempt from property taxes pursuant to Nebraska Revised Statute Section 77-202 to file, by April 1 of even-numbered years, with the county assessor where the property is located, a form prescribed by the Department of Revenue detailing the following information:

- Name and address of the owner of the property and type of organization, if any, that owns the property;
- The legal description of the property;
- Date of acquisition of the property
- A description of any improvements to the property;
- A statement indicating whether or not any portion of the property was leased to another person during the preceding two years, and identifying the portion of the property that was leased, the lessee, and how the lease payments were used by the owner of the property;
- The owner's estimate of fair market value of the property on January 1 of even-numbered years by marking one of a number of value ranges provided on the form. A county assessor may adjust this value.

The Department of Revenue is to tabulate the data from all the forms received and prepare an estimate of fair market value of tax-exempt property in the state for inclusion in the Tax Expenditure Report.

The bill also imposes a fee to be filed with each form sufficient to defray the costs incurred by the county. The county board is to establish such fee. A church required to file the form is not required to pay the fee. If the form is not received by April 1 of the even-numbered year, the county assessor is to send a notice advising the property owner that if the county assessor does not receive the required form within 30 days of the notice, the property will be appraised at the owner's expense. The same requirement applies to owners of exempt personal property that is used in a trade or business, except that failure to file a statement will result in a penalty of \$10 per day not to exceed a total of \$500.

The above requirements do not apply to the exempt property owned by the state or its governmental subdivisions or property upon which a payment in lieu of taxes is paid.

The Department of Revenue estimates no fiscal impact to the General Fund as a result of LB 825 and minimal costs to implement.

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

The University of Nebraska has indicated that they have property that would likely not be excluded from the requirements of LB 825 which is leased to tenants for purposes other than public purposes. For FY17-18 they estimate a cost of \$160,000 for research by the University into the value of such property and the likelihood of a third party appraisal in order to determine fair market value in order to comply with the provisions of LB 825.

Given the extent of property owned by the University of Nebraska system, their estimate of fiscal impact seems reasonable and we have no basis to disagree with their estimate.

IMPACT TO POLITICAL SUBDIVISIONS:

The Nebraska Association of County Officials (NACO) indicates minimal fiscal impact to the counties.

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES			
LB: 825	AM:	AGENCY/POLT. SUB: Dept. of Revenue	
REVIEWED BY: Lyn Heaton		DATE: 2/16/2016	PHONE: 471-4181
COMMENTS: No basis upon which to disagree with the Department of Revenue's estimate of minimal or no fiscal impact on the Department.			

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES			
LB: 825	AM:	AGENCY/POLT. SUB: NE. Association of County Officials	
REVIEWED BY: Lyn Heaton		DATE: 2/16/2016	PHONE: 471-4181
COMMENTS: No fiscal impact estimate is provided in the NACO fiscal note. However, we agree with the NACO assumption that the bill will not require an increase in general tax revenue since the bill allows a reasonable fee to defray the county costs of distributing and reviewing the tax exempt property information forms.			

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

2016

LB⁽¹⁾ 825

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾

Nebraska Association of County Officials (NACO)

Prepared by: ⁽³⁾ Elaine Menzel

Date Prepared: ⁽⁴⁾ 1/11/2016

Phone: ⁽⁵⁾ 402.434.5660

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2016-17</u>		<u>FY 2017-18</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 825 would require property owners of exempt property to file by April 1 of each even-numbered year a form containing a variety of information, including the owner's estimate of the fair market value of the property. By July of that same year, the county assessor would be required to complete and deliver to the Department of Revenue, a form on which the assessor estimates the fair market value of tax-exempt property, classified by type of owner, within his or her county. Each person required to file a form would be required to pay a reasonable fee sufficient to defray the costs to the county of distributing and reviewing the form for the Department of Revenue with the exception of churches. If the form is not received by the property owner by the due date, the county assessor is required to send a notice by certified mail that the property would be valued at the assessed value. LB 825 would be inapplicable to the State or political subdivisions. Similar provisions are included for properties subject to taxation under sections of the Internal Revenue Code 511 to 515.

Counties should be able to recover the majority of costs; therefore, the fiscal impact should be minimal once cost schedules are developed for reimbursement by the exempt property tax owner.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2016-17</u>	<u>2017-18</u>
	<u>16-17</u>	<u>17-18</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.

2016

LB⁽¹⁾ 825

FISCAL NOTE

State Agency OR Political Subdivision Name: (2) University of Nebraska

Prepared by: (3) Michael Justus Date Prepared: (4) February 3, 2016 Phone: (5) 402-472-2191

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2016-17</u>		<u>FY 2017-18</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	160,000	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	=====	=====	160,000	=====

Explanation of Estimate:

The University would likely have property that would not be excluded from LB 825. The University owns property that is leased to tenants for purposes other than “public purposes” – currently, under Section 77-202.11, we submit “each new lease or preexisting lease which has been materially changed which went into effect during the previous year and a listing of previously reported leases that are still in effect” by January 31 each year. The proposed language in LB 825 reduces the submittals to even years, but the previously required submittals would not now be limited to “new” or “materially changed” information (with just a listing of unchanged leases) – it would be a lot of extra work to re-submit all of the required documentation for each lease. Also, the legislation does not appear to change or remove the requirements of 77-202.11. As such the University would technically have to make two submittals of the lease information.

A larger concern is the requirement to estimate the fair market value of each property. It would take research by the University and more likely an appraisal by a third party to accomplish this. The cost of these appraisals would be significant. These fair market value estimates could also impact the amount we would be able to get at auction or via bid if we then desired to sell the property in question.

The language also imposes a “fee” for the assessor’s office to review all of the information every two years. It is unclear what such a review would entail or the fee that we could be charged.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2016-17</u>	<u>2017-18</u>
	<u>16-17</u>	<u>17-18</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	160,000
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	=====	=====	=====	160,000

