

FISCAL NOTE
 LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *				
	FY 2010-11		FY 2011-12	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$273,800		\$270,100	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$273,800		\$270,100	

*Does not include any impact on political subdivisions. See narrative for political subdivision estimates.

LB 1077 amends several sections of statute dealing with valuation of agricultural and horticultural land and will change the method of valuation for purposes of taxation from market value to agricultural income value.

Section 77-112 is amended to define actual value of agricultural land and horticultural land as the agricultural income value of the land. Agricultural income value is defined as the capitalized annual earning capacity on a per-acre basis which has been adjusted by an amount that reflects the landowner's share of the gross return. Agricultural income value is to be determined on the basis of the productivity and annual agricultural earnings capacity of the land.

Section 77-1359 is amended to redefine agricultural land and horticultural land; specify that the farm home site shall be valued as residential real property; and provide that farm sites, except the portion used for nonagricultural purposes, is valued as agricultural land.

New language in Section 5 of the bill requires the Tax Commissioner to make annual earning capacity income and expense calculations using data obtained on rents, crop prices, and expenses. This section also specifies how earning capacity on cropland, grassland, and non-cropland is to be determined and that net agricultural income shall be capitalized at a rate that results in a total taxable agricultural land valuation that is equal to that certified as of August 20, 2011.

The bill also requires the Tax Commissioner to enter into contracts with the University of Nebraska's Institute of Agriculture and Natural Resources and the Department of Agriculture to determine agricultural income from agricultural land by county and specifies the data to be used to determine such income.

Certain sections of the bill become operative on June 10, 2010 and the rest of the bill becomes operative on January 1, 2012. The bill contains the emergency clause.

The Department of Revenue estimates the cost of the contracts required by Section 5 of the bill to be approximately \$200,000 each year. Personnel costs to implement the provisions of LB 1077 include 1.0 FTE for a Revenue Tax Specialist.

There is no basis to disagree with the Department's estimate of expenditure.

DEPARTMENT OF ADMINISTRATIVE SERVICES

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COMMENTS					
NEBRASKA ASSOCIATION OF COUNTY OFFICIALS: Indeterminate fiscal impact on counties.					