

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				
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS				

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

LB 936 amends several sections of Nebraska statutes dealing with the inheritance tax.

Section 77-2004 is amended to increase the amount exempt from inheritance tax for near relatives from \$40,000 to \$100,000. The rate of tax remains at 1%.

Section 77-2005 is amended to increase the amount exempt from inheritance tax for remote relatives from \$15,000 to \$100,000 and change the rate of tax from 13% to 1%.

Section 77-2006 is amended to increase the amount exempt from inheritance tax for nonrelatives from \$10,000 to \$100,000 and change the rate of the tax from 18% to 1%.

The changes proposed by LB 936 would take effect for all property which passes from a decedent dying on or after January 1, 2017.

There is no fiscal impact to the state as a result of LB 936.

IMPACT TO POLITICAL SUBDIVISIONS:

The Nebraska Association of County Officials (NACO) has estimated that the loss of revenue from the provisions of LB 936 would be significant but is unable to provide a specific amount.

The Legislative Fiscal Office, while also unable to provide a specific amount, estimates that the loss of revenue to all counties statewide would be in the range of \$34,000,000 to \$39,000,000 annually.

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES			
LB: 936	AM:	AGENCY/POLT. SUB: Dept. of Revenue	
REVIEWED BY: Lyn Heaton		DATE: 2/12/2016	PHONE: 471-4181
COMMENTS: The Department of Revenue's estimate of no state revenue impact and no operational fiscal impact on the Department appears reasonable.			

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2016

LB⁽¹⁾ 936

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾

Nebraska Association of County Officials (NACO)

Prepared by: ⁽³⁾ Elaine Menzel

Date Prepared: ⁽⁴⁾ 1/15/2016

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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 936 would increase the exemption amounts from \$40,000 to \$100,000 for class one beneficiaries and from \$15,000 to \$100,000 for class two beneficiaries and from \$10,000 to \$100,000 for others. Additionally, LB 936 would reduce the percentage rates paid for inheritance taxes to counties for all classes of beneficiaries thus this would result in a significant reduction in inheritance taxes collected by counties .

The chart below illustrates an example of how some counties would have been impacted if the class one exemption was increased from \$40,000 to \$100,000. Additionally, a significant decrease of county inheritance taxes collected due to a decrease in the taxing rate of Class 2 beneficiaries from 13 % to 1 % and in other cases from 18 % to 1 % which would result in a substantial fiscal loss. While the total of Class 2 Taxes collected during 2013 for the counties listed below was \$1,919,169.44 and for other classes was \$1,071,800.71, the information collected for these classes of beneficiaries was cumulative rather than individualized for these classes of beneficiaries. Therefore, an analysis of the impact on this information would be imprecise; however, it would be substantial if the rates were reduced.

In 2013, our office conducted a study of inheritance taxes collected in 2012 for the 13 counties included in the following chart. Also, reflected in the chart is the impact to the selected counties if the \$100,000 exemption amount would have been applicable to Class 1 beneficiaries.

County	Total Taxes Paid for All Class 1 in information collected in 2013 (\$40,000 Exemption)	Total Taxes Paid for All Class 1 in information collected in 2013 (\$100,000 Exemption)	Loss because of increase of exemption from \$40,000 to \$100,000
Blaine	\$48,138.07	\$38,240.29	\$9,897.78
Box Butte	\$111,987.35	\$91,272.94	\$20,714.41
Brown	\$41,174.96	\$34,091.24	\$7,083.72
Buffalo	\$461,123.21	\$361,108.76	\$100,014.15
Deuel	\$18,091.61	\$11,127.16	\$5,964.45
Gage	\$177,892.26	\$119,561.62	\$58,330.64
Hamilton	\$215,050.09	\$171,541.07	\$43,509.02
Lincoln	\$266,493.35	\$193,491.08	\$73,002.27
Rock	\$52,508.07	\$44,346.18	\$8,161.89
Sarpy	\$589,158.77	\$445,427.41	\$143,731.36
Sauinders	\$321,317.09	\$254,993.73	\$66,323.36
Valley	\$32,388.80	\$21,631.07	\$410,757.73
Wayne	\$253,009.09	\$204,344.85	\$48,684.24
Totals	\$2,588,332.72	\$1,991,177.40	\$597,155.32

As shown in the table above, by increasing the exemption amount from \$40,000 to \$100,000 the loss would equate to approximately a 23 % loss. Since an analysis of all counties was not done due to the large quantity of information needed to analyze each estate, similar information is not available for what the reduction would be across the State at this time.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

POSITION TITLE	NUMBER OF POSITIONS		2016-17 EXPENDITURES	2017-18 EXPENDITURES
	16-17	17-18		
Benefits.....				
Operating.....				
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
TOTAL.....				