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 DATE PREPARED: February 02, 2016  
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**LB 940**

Revision: 00

**FISCAL NOTE**  
 LEGISLATIVE FISCAL ANALYST ESTIMATE

<b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)</b>				
	<b>FY 2016-17</b>		<b>FY 2017-18</b>	
	<b>EXPENDITURES</b>	<b>REVENUE</b>	<b>EXPENDITURES</b>	<b>REVENUE</b>
GENERAL FUNDS	See Below		See Below	
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 940 creates the Tax Stabilization Act.

The Act would freeze real property tax value at the level of assessed valuation on January 1, 2016 for a three-year “stabilization period” which is to begin January 1, 2017 and run until December 31, 2019, unless “reform legislation” is passed by the Legislature then the stabilization period shall end on December 31 of the year in which such legislation is passed.

“Reform legislation” is defined as a law passed by the Legislature on or after the effective date of this Act that reduces the percentage of funding for school districts which is provided by property taxes.

The bill also provides that during the stabilization period, the property tax credit provided during any one year shall be the same as provided in 2016.

During the stabilization period, political subdivisions with levy authority may only increase their levies by a percentage equal to the percentage increase in the state budget during the most recently completed fiscal year or if the state budget decreases in a fiscal year the political subdivisions shall decrease their levies by the corresponding percentage. State budget and what constitutes an increase or decrease is not defined by the bill.

If the Legislature does not pass reform legislation during the stabilization period then, beginning January 1, 2020 assessed values may only increase by the same percentage increase in the state budget from the most recently completed fiscal year.

The Department of Revenue is given rule and regulation authority to carry out the provisions of the Act.

The Department of Revenue indicates there will be minimal cost to implement the provisions of LB 940.

We have no basis to disagree with the Department of Revenue’s estimate of cost.

The Legislative Fiscal Office estimates the following expenditure for TEEOSA as a result of the provisions of LB 940:

FY2016-17:	\$	0
FY2017-18:	\$	0
FY2018-19:	\$	45,000,000
FY2019-20:	\$	90,000,000

IMPACT TO POLITICAL SUBDIVISIONS:

The Nebraska Association of County Officials (NACO) indicates that fiscal impact to counties, while indeterminate, is likely to significantly reduce the amount of property taxes that can be collected.

We agree with NACO’s assessment of potential fiscal impact.

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES			
LB: 940	AM:	AGENCY/POLT. SUB: Dept. of Revenue	
REVIEWED BY: Lyn Heaton		DATE: 2/1/2016	PHONE: 471-4181
<p>COMMENTS: The Department of Revenue's estimate of minimal fiscal impact on the department appears reasonable.</p> <p>Technical Note: The Department references any impact on TEEOSA having an impact on General Fund revenue. An impact on TEEOSA would impact General Fund expenditures, not revenues.</p>			

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES			
LB: 940	AM:	AGENCY/POLT. SUB: NE. Association of County Officials (NACO)	
REVIEWED BY: Lyn Heaton		DATE: 1/27/2016	PHONE: 471-4181
<p>COMMENTS: While they have not offered a dollar estimate, NACO is correct that the bill could reduce the amount of property taxes that would otherwise be collected by counties absent the provisions of the legislation. This would be especially true for any county that does not have available levy capacity under the levy limitation contained in section 77-3442. Most counties, however, are more than minimally below the levy limit and could increase their levy rate during the stabilization period identified in the bill to offset the temporary freeze in the growth of assessed value of real property, subject to the levy growth limit provided in the bill tied to the percent change in the state budget.</p>			

**State Agency Estimate**

State Agency Name: Department of Revenue Date Due LFA: 2/2/2016  
 Approved by: Tony Fulton Date Prepared: 2/1/2016 Phone: 471-5896

	<b>FY 2016-2017</b>		<b>FY 2017-2018</b>		<b>FY 2018-2019</b>	
	<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 940 creates the Tax Stabilization Act (Act) which would freeze real property values across the state until "reform legislation" is passed.

- Sec. 3 defines "reform legislation" as a law passed by the Legislature that reduces the percentage of funding for school districts provided by property taxes. It also defines the "stabilization period" during which real property values would not change between January 1, 2017 and December 31, 2019, or until the December 31 after reform legislation is passed..
- Sec. 4 provides that, during the stabilization period: (1) all real property will be valued at the January 1, 2016 assessed value; (2) that property tax credits would remain the same as they were for the 2016 tax year; and (3) that all political subdivisions may only increase their levies by a percentage equal to the increase in the state budget (if there is a percentage decrease in the state budget, political subdivisions MUST decrease their levies by the same percentage).
- Sec. 5 provides that the stabilization period will end on December 31 after the Legislature passes reform legislation.
- Sec. 6 provides that if the stabilization period ends without reform legislation passing, the January 1, 2020 assessed values can only increase by the same percentage as the percentage increase in the state budget from the most recent completed fiscal year compared to the current fiscal year.

This bill also provides that real property shall be valued as provided by the Act, and property tax levies are limited as provided by the Act. Also, the Property Tax Credit Act will be funded as provided by the Act.

It is estimated that there will be minimal costs to the Department to implement this bill.

Any changes in property values and taxes levied impacts the calculations for TEEOSA which may impact General Fund revenues.

**Major Objects of Expenditure**

<u>Class Code</u>	<u>Classification Title</u>	<u>16-17</u>	<u>17-18</u>	<u>18-19</u>	<u>16-17</u>	<u>17-18</u>	<u>18-19</u>
		<u>FTE</u>	<u>FTE</u>	<u>FTE</u>	<u>Expenditures</u>	<u>Expenditures</u>	<u>Expenditures</u>
	Benefits.....						
	Operating Costs.....						
	Travel.....						
	Capital Outlay.....						
	Aid.....						
	Capital Improvements.....						
	<b>Total.....</b>						

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**2016**

**LB<sup>(1)</sup> 940**

**FISCAL NOTE**

State Agency OR Political Subdivision Name: <sup>(2)</sup>

Nebraska Association of County Officials (NACO)

Prepared by: <sup>(3)</sup> Elaine Menzel

Date Prepared: <sup>(4)</sup> 1/114/2016

Phone: <sup>(5)</sup> 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 940 would create the Tax Stabilization Act. All real property subject to taxation shall be valued at its assessed value as of January 1, 2016. Political subdivisions, including counties, would be governed by the amount of the increase or decrease of the state budget. In 2020, if the State has not made reform legislation, the assessed value of all real property in the state subject to taxation shall be equal to its assessed value as of January 1, 2016, multiplied by the percentage growth in the state budget for FY 2018-19 to FY 2019-20.

While the fiscal impact to counties is indeterminate, it is likely to significantly reduce the amount of property taxes that can be collected to pay for programs and services that are provided by counties, including those which are mandated.

**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.....	_____	_____	_____	_____