

FISCAL NOTE
 LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2017-18		FY 2018-19	
	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 338 creates the Agricultural Valuation Fairness Act.

The Act provides that agricultural land and horticultural land shall be valued at its agricultural use value regardless of any value which such land might have for other purposes.

The bill also requires that agricultural use value be used for purposes of TEEOSA.

Agricultural use value is defined as the value of land for agricultural or horticultural purposes or uses without regard to the value of such land for other purposes or uses and that this value shall be determined by the county assessor using an income-approach calculation.

County assessors are to use a range of incomes for land capability groups (LCGs) and capitalization rates determined by the Property Tax Administrator (PTA) in calculating the agricultural use value. The PTA is to establish a range of net incomes for all LCGs in the state, by county and by land use, based on the previous ten years' information. The ranges are to be based on the average yield information for the ten years published by the U.S. Dept. of Agriculture for the appropriate commodities for each LCG. The PTA shall also consider prices for each commodity on which the average yield is based.

The PTA is to establish the capitalization rates to be applied to each class or subclass of property within each county. The rates must result in agricultural use values between 60% and 75% of actual value. In addition, the aggregate agricultural use value shall not increase more than 3.5% from the prior year.

The county assessor is to determine the appropriate income for each LCG in the county, that income will then be divided by the applicable capitalization rate set by the PTA and the result is the value for each parcel.

The bill also provides that the Tax Commissioner, in the event that aggregate land value of the entire class of agricultural land either: a) is not between 60% and 75% of the aggregate actual value, OR b) exceeds the prior year aggregate value by more than 3.5%, may order each county in the state to uniformly adjust the capitalization rate to meet these requirements.

County boards may only correct errors in characteristics affecting income-producing capability.

The bill also amends Section 77-5022 to say that the Tax Equalization and Review Commission may only consider residential and commercial property for statewide equalization.

Section 79-1016 is amended to provide that state aid value for agricultural and horticultural land means the agricultural use value as is provided by the Agricultural Valuation Fairness Act.

The Tax Commissioner is given rule and regulation authority.

The bill has an operative date of January 1, 2019.

The following sections of statute are outright repealed:

- 77-1343: Agricultural or horticultural land; terms; defined.
- 77-1344: Agricultural or horticultural land; special valuation; when applicable.
- 77-1345: Agricultural or horticultural land; special valuation; application.

77-1345.01: Agricultural or horticultural lands; special valuation; approval or denial; protest; appeal; failure to give notice; effect.

77-1346: Agricultural or horticultural lands; eligibility for special valuation; rules and regulations.

77-1347: Agricultural or horticultural lands; special valuation; disqualification.

77-1347.01: Agricultural or horticultural lands; special valuation; disqualification; procedure; protest; decision; appeal.

The Department of Revenue has indicated no cost to implement the provisions of LB 338.

The Legislative Fiscal Office estimates that as a result of the provisions of LB 338, an additional General Fund expenditure of \$3.5 million to \$4.0 million for TEEOSA aid will be required for FY2021-22. This is based on an assumption that agricultural land values will be reduced by 2.2% as a result of the provisions of LB 338.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES		
LB: 338	AM:	AGENCY/POLT. SUB: Department of Revenue
REVIEWED BY: James Van Bruggen	DATE: 2/6/17	PHONE: (402) 471-4179
COMMENTS: Agree with the Department of Revenue's statements.		

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES		
LB: 338	AM:	AGENCY/POLT. SUB: Nebraska Association of County Officials (NACO)
REVIEWED BY: James Van Bruggen	DATE: 1/23/17	PHONE: (402) 471-4179
COMMENTS: LB 338 would decrease agricultural value an estimated \$2.2 billion.		

State Agency Estimate

State Agency Name: Department of Revenue		Date Due LFA: 2/6/2017			
Approved by: Tony Fulton		Date Prepared: 2/2/2017			
Phone: 471-5896					
FY 2017-2018		FY 2018-2019		FY 2019-2020	
<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>
General Funds	\$ 0		\$ 0		\$ 0
Cash Funds					
Federal Funds					
Other Funds					
Total Funds	\$ 0		\$ 0		\$ 0

LB 338 creates the Agricultural Valuation Fairness Act (Act). The Act requires the county assessor to use an income approach to value agricultural land using a range of incomes and capitalization rates determined by the Property Tax Administrator (PTA). The PTA will be required to establish ranges of net incomes for all land capability groups (LCGs) in the state based on certain defined factors, and issue a report of the income ranges to each county assessor by January 1 of each year.

The PTA will also establish capitalization rates for each class or subclass of agricultural land in each county. These capitalization rates must result in agricultural use value which is between 60% and 75% of the actual value such land has for agricultural purposes. Also the aggregate agricultural use value in the state may not increase more than 3.5% from the prior year.

The county assessor will determine the income from the range established for each LCG and apply the appropriate capitalization rate to that income. The bill provides an appeal mechanism if the county assessor believes that the income range for a particular subclass results in values that are not uniform and proportionate; and a mechanism for the PTA to enforce the requirements of the Act.

This bill provides that the Tax Commissioner may, if the resulting aggregate statewide agricultural land values increase more than 3.5% from the prior year, apply a uniform factor to all agricultural land to ensure the growth of agricultural land does not exceed 3.5% from the prior year. The Tax Commissioner may adopt and promulgate rules and regulations

This bill also provides that county boards may only correct errors in characteristics affecting the income-producing capability of agricultural land; and that agricultural land protests of such characteristics must be made on a form prescribed by the Tax Commissioner. It provides that the Tax Equalization and Review Commission may only consider residential and commercial classes of real property during statewide equalization.

This bill requires that the agricultural land use value be used for TEEOSA purposes.

This bill will have an effect on TEEOSA, which will have a corresponding impact on General Fund expenditures.

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

Major Objects of Expenditure							
<u>Class Code</u>	<u>Classification Title</u>	<u>17-18 FTE</u>	<u>18-19 FTE</u>	<u>19-20 FTE</u>	<u>17-18 Expenditures</u>	<u>18-19 Expenditures</u>	<u>19-20 Expenditures</u>
	Benefits.....						
	Operating Costs.....						
	Travel.....						
	Capital Outlay.....						
	Aid.....						
	Capital Improvements.....						
	Total.....						

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2017

LB⁽¹⁾ 338

FISCAL NOTE

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

Prepared by: ⁽³⁾ Elaine Menzel Date Prepared: ⁽⁴⁾ 1/17/2017 Phone: ⁽⁵⁾ 402.434.5660

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2017-18</u>		<u>FY 2018-19</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 338 would adopt the Agricultural Valuation Fairness Act. This proposal represents a decrease in agricultural and horticultural land value across the state of approximately \$2.2 billion. This would equate to an approximate 2% reduction in the tax base for all political subdivisions. This would reduce the tax base for all political subdivisions that have agricultural and horticultural land.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2017-18</u>	<u>2018-19</u>
	<u>17-18</u>	<u>18-19</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____