

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2019-20		FY 2020-21	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS			\$1,399,000	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS			\$1,399,000	

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

LB 444 amends provisions related to the homestead exemption. The definition of "homestead" is amended to include a dwelling complex and related amenities located on a United States Department of Defense military installation if:

- The owner on which the installation is situation is the U.S. government or an instrumentality thereof;
- The complex and amenities are developed pursuant to a federal military housing privatization initiative; and
- The complex and amenities are provided primarily for use by military personnel and their families.

"Owner" is amended to include a resident of such dwelling complex. The exempt amount for any such homestead is 100%, except the amount is reduced by a percentage equal to the total number of residential units in the dwelling complex unoccupied or not occupied by military personnel or their families, divided by the total number of residential units in the complex. The record title owner must calculate this percentage as of January 1 of each year and provide the percentage to the county assessor as part of the application. NOTE: Occupancy between January 1 and August 15 is normally required for eligibility for the homestead exemption. Under the provisions of LB 444, occupancy would only be required for one day.

The record title owner is required to:

- Make an in lieu of taxes payment in an amount equal to the amount of property taxes that would be payable to school districts. The payment is to be made to the county treasurer of the county in which the school district is located and distributed by the county treasurer to the school district.
- Make an in lieu of taxes payment in an amount equal to the amount of property taxes that would be payable to political subdivisions other than school districts. The payment is to be made to a restricted infrastructure maintenance trust fund in a financial institution. The trust fund must be used for capital repairs, replacements, maintenance, and improvements for the homestead. A certificate of compliance must be filed with the Department of Revenue annually, and failure to do so will result in notification to the Attorney General's office. The Attorney General can order an audit of the trust fund at the cost of the owner. Failure to comply with the requirements of the infrastructure trust account could result in revocation of the exemption.

The bill is operative January 1, 2020.

The Department of Revenue notes that because the exemption is placed within the homestead exemption statutes, section 77-3523 requires the county treasurer to certify the entire loss to all taxing agencies. This loss is then reimbursed from the General Fund. Therefore, schools would receive both direct reimbursement of the homestead exemption from the General Fund and the payment in lieu of taxes required by LB 444. Other taxing entities will receive only the direct reimbursement from the General Fund.

The Department of Revenue estimates General Fund expenditures as follows:

FY2019-2020	\$0
FY2020-2021	\$1,399,000
FY2021-2022	\$1,460,000
FY2021-2022	\$1,524,000

The Department of Revenue indicates minimal cost to implement the provisions of LB 444.

There is no basis to disagree with these estimates.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE

LB: 444 AM: AGENCY/POLT. SUB: Department of Revenue

REVIEWED BY: Lee Will DATE: 2/19/2019 PHONE: (402) 471-4175

COMMENTS: No basis to disagree with the Department of Revenue's assessment of fiscal impact related to the increased General Fund expenditures necessary in the Homestead Exemption program.

State Agency Estimate

State Agency Name: Department of Revenue		Date Due LFA: 2/15/19				
Approved by: Tony Fulton		Date Prepared: 2/14/19				
		Phone: 471-5896				
	FY 2019-2020		FY 2020-2021		FY 2021-2022	
	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>
General Funds	\$0		\$1,399,000		\$1,460,000	
Cash Funds						
Federal Funds						
Other Funds						
Total Funds	\$0		\$1,399,000		\$1,460,000	

LB 444 amends the homestead exemption statutes Neb. Rev. Stat. §§ 77-3502 and 77-3503 to expand the definition of a homestead to include a dwelling complex and any related amenities located on a United States Department of Defense military installation in the State of Nebraska if (a) the owner of the land is the United States government, (b) the complex is developed pursuant to a federal military housing privatization initiative, and (c) the complex is provided primarily for use by United States military personnel and their families. It would also expand the definition of an “owner” to include a resident of the dwelling complex.

This bill also amends Neb. Rev. Stat. § 77-3506 to exempt from taxation 100% of the value of dwelling complexes, reduced by a percentage equal to the total number of residential units that are unoccupied or not occupied by United States military personnel or their families, divided by the total number of residential units in the complex. The application for exemption would be made by the record title owner of the complex. The record title owner would be required to make a payment in lieu of taxes equal to the amount of school property taxes that would otherwise be payable if the exemption provided in this bill did not apply. The payment in lieu of taxes is to be made to the county treasurer of all affected school districts in the county where the complex is located. The record title owner would be required make annual payments equal to the amount of property taxes that would have been payable to political subdivisions into a restricted maintenance trust fund, to be used exclusively for the payment of the cost of capital repairs, replacements, maintenance, and improvements to infrastructure for military dwellings that constitute homesteads. Record title owners receiving a homestead exemption under this bill are required to file a certificate of compliance with the infrastructure maintenance trust fund requirements with the Department of Revenue. Within 90 days of any failure to file a certificate of compliance, the Department of Revenue must provide notice of failure to the office of the Attorney General for further action.

Because this exemption is placed within the homestead exemption statutes, Neb. Rev. Stat. § 77-3523 also requires the county treasurer to certify the entire loss to all taxing agencies because of these exemptions. This loss is then reimbursed from the General Fund. Therefore, schools would receive both direct reimbursement of the homestead exemption from the General Fund and the payment in lieu of taxes called for in LB 444. Other taxing entities will receive only the direct reimbursement.

The Department estimates the increase to General Fund expenditures as follows:

FY2019-2020	\$ -
FY2020-2021	\$ 1,399,000
FY2021-2022	\$ 1,460,000
FY2021-2022	\$ 1,524,000

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

The operative date for this bill is January 1, 2020.

