

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2021-22		FY 2022-23	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$895,000		\$897,600	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$895,000		\$897,600	

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

LB 613 seeks to make changes relating to the appeals process of the Tax Equalization and Review Commission Act. Under LB 613, a hearing is required to be held within six months following the filing of the appeal. Additionally, if no decision is made by the Commission within nine months of the filing date of the appeal, the appeal is to be granted to the filer, along with any pending refund in the following thirty days.

LB 613 becomes operative three months after adjournment.

The Tax Equalization and Review Commission (TERC) expects significant costs to implement LB 613. TERC estimates that their current schedule would need to double in pace to meet the requirements of LB 613, which would require significant staffing. Specifically, staffing would be needed to process appeal filings, notices of appeals, orders for hearings, hearings, and writing orders. TERC estimates the following positions would be needed:

- 3 Commissioners
- 1 Attorney
- 2 legal Assistants
- 3 Administrative Assistants

This staffing, along with expenditures for office space and equipment amounts to \$895,000 and \$897,600 in FY21-22 and FY22-23, respectively. There is no basis to disagree with these estimates.

If the Commission is unable to accommodate the appeals within the timeline set by LB 613, numerous refunds would be issued to the appeals filers, including refunds that otherwise may have been denied. There would be potential for unexpected revenue loss to political subdivisions that levy property taxes if this were to occur in high frequencies.

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2021

LB⁽¹⁾ 613

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Tax Equalization & Review Commission

Prepared by: ⁽³⁾ Rob Hotz Date Prepared: ⁽⁴⁾ January 28, 2021 Phone: ⁽⁵⁾ 402-471-2842

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2020-21</u>		<u>FY 2021-22</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	<u>895,000</u>	<u> </u>	<u>897,600</u>	<u> </u>
CASH FUNDS	<u> </u>	<u> </u>	<u> </u>	<u> </u>
FEDERAL FUNDS	<u> </u>	<u> </u>	<u> </u>	<u> </u>
OTHER FUNDS	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL FUNDS	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Explanation of Estimate:

LB 613 would require the Tax Equalization & Review Commission (TERC) to compress into approximately half as much time all of its current functions including appeal filings, notices of appeals, orders for hearings, hearings, and writing orders. In order to hold all hearings and issue all orders as would be required under the timeframes of the bill, the Commission would need the following additional staff:

- 3 Commissioners
- 1 Attorney
- 2 Legal Assistants
- 3 Administrative Assistants

Salary and benefits, including health insurance, retirement contributions, FICA, and unemployment insurance would be estimated to cost approximately \$835,000 per year.

In order to facilitate the compression of approximately twice as many hearings into the same timeframe, the Commission would need additional hearing rooms, office space, office furnishings, and equipment. We would estimate that cost to be approximately \$60,000 per year:

Office space: \$45,000
Equipment: \$15,000

In the second and subsequent years, equipment costs would not be incurred and salary and benefit costs would be increased by 2%.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2020-21</u>	<u>2021-22</u>
	<u>20-21</u>	<u>21-22</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>

Benefits				
Operating				
Travel				
Capital outlay				
Aid				
Capital improvements				
TOTAL				

Please complete ALL (5) blanks in the first three lines.

2021

LB613⁽¹⁾ *Change provisions relating to hearings and decisions on appeals under the Tax Equalization and Review Commission Act*

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ DOUGLAS COUNTY, NEBRASKA

Prepared by: ⁽³⁾ Marcos San Martin, County Administration Date Prepared: ⁽⁴⁾ 2/12/2021 Phone: ⁽⁵⁾ 402.444.5116

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2021-22</u>		<u>FY 2022-23</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

Explanation of Estimate:

NEGATIVE (DETRIMENTAL) FISCAL IMPACT TO DOUGLAS COUNTY

Provided the current Tax Equalization and Review Commission (TERC) appeals backlog and the overall length of time required to process an appeal, the timeframes proposed in LB613 create the potential for a substantial number of default decisions to be made in the favor of a property owner (appellant). Currently, the majority, if not all, TERC appeals take over a year to be set and several more months to receive a decision. In the short-term, as a consequence, this may have a significant fiscal impact on anticipated county and city tax revenue, as an individual property may be assessed at a 'lower' assessment (the appealed property value), even if the value is clearly undervalued. This will result in less property tax revenue collected by a county.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2021-22 EXPENDITURES</u>	<u>2022-23 EXPENDITURES</u>
	<u>21-22</u>	<u>22-23</u>		
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____