

Revised to include Douglas County's response

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2022-23		FY 2023-24	
	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 853 makes significant changes to the homestead exemption provided under 77-3508. LB 853 creates a new process for calculating the exempt amount for an eligible homestead.

LB 853 creates a new eligible taxpayer for the homestead exemption. Beginning January 1, 2023, any veteran who was honorably or generally discharged, and is 50% or more disabled but not totally disabled due to a non-service-connected accident or illness, shall be eligible for a homestead exemption, calculated based on household income of the claimant, as well as disability level. Under current law, only totally disabled veterans are eligible.

LB 853 provides an additional exemption calculation to be used for these newly eligible taxpayers. The initial process remains the same, with the exempt amount corresponding to a percent dependent on household income. This initial amount will then be multiplied by a percentage based on the level of disability the claimant has. This can be seen in the following table:

Disability percentage	Percentage multiplied to the initial exemption
>90% but less than totally disabled	90%
>80% and <90%	80%
>70% and <80%	70%
>60% and <70%	60%
>50% and <60%	50%

The Department of Revenue estimates that approximately 25% of non-service-connected disabled veterans in Nebraska will become eligible for the homestead exemption. This would increase General Fund expenditures as follows:

- FY22-23: \$0
- FY23-24: \$954,000
- FY24-25: \$936,000
- FY25-26: \$918,000

The Department of Revenue estimates minimal costs to implement LB 853. There is no basis to disagree with these estimates.

The impact to counties will vary depending on the quantity of disabled veterans that would now be able to apply for a homestead exemption. Douglas County projects the increase in applications could be in the thousands, which would require the hiring of up to two additional support technicians. Personnel costs are estimated at \$117,890 for FY22-23 and FY23-24 each. There is no basis to disagree with this estimate.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 853	AM:	AGENCY/POLT. SUB: Department of Revenue
REVIEWED BY: Neil Sullivan	DATE: 1/19/2022	PHONE: (402) 471-4179
COMMENTS: The Department of Revenue assessment of fiscal impact from LB 853 appears reasonable.		

This bill adds a new table to calculate the exempt amount for those claimants under Neb. Rev. Stat. § 3508(b)(v).

The Department of Revenue (DOR) used data from the Compensation and Pension by county 2019 report published by the U.S. Department of Veterans Affairs and estimated that the percentage of the 100% service-connected disabled rating over 50% to 100% service-connected disabled rating is approximately 25%. This 25% percentage was used for non-service-connected disabled veterans and estimated that LB 853 will increase the General Fund expenditures as follows:

FY2022-2023	\$	-
FY2023-2024	\$	954,000
FY2024-2025	\$	936,000
FY2025-2026	\$	918,000

It is estimated that LB 853 will require changes to the electronic homestead exemption program, the Homestead Exemption Application Form, the information guide, and other documents. These changes can be done with existing DOR staff. Therefore, there will be minimal costs to the DOR to implement this bill.

The operative date for this bill is three months after adjournment.

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2022

LB⁽¹⁾ 853

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Douglas County Assessor/Register of Deeds

Prepared by: ⁽³⁾ Michael Goodwillie

Date Prepared: ⁽⁴⁾ 1/20/2022

Phone:
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ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2022-23</u>		<u>FY 2023-24</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	<u>\$117,890</u>	<u></u>	<u>\$117,655</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>\$117,890</u>	<u></u>	<u>\$117,655</u>	<u></u>

Explanation of Estimate: LB 853 would add a class of people that would qualify for at least a partial homestead exemption. It would add, in 2023, veterans with an honorable or general (under honorable conditions) who are fifty percent or more disabled but less than totally disabled due to a non-service-connected accident or illness. The exemption would be up to the level of disability the applicant has from the US Department of Veterans Affairs. So the applicant would file for homestead with the local assessor's office and, based on income and the value of their home, might qualify for a full or partial exemption from property taxes on their house. Whatever percentage exemption the applicant qualified for would further be modified by their percent disability rating. If the applicant would qualify for a full homestead exemption but they have a disability rating of 70%, their exemption under LB 853 would be 70%.

This would significantly expand the pool of homestead applicants. The Nebraska Department of Veterans Affairs provided an estimate of 20,653 for the number of veterans with a 50% or more disability rating statewide. Currently, there are 5,251 veterans statewide who are eligible to participate in homestead due to 100% disability rating, so there are potentially a little more than 15,000 potential new applicants. For the assessment office in populous counties, like Douglas, it would add a significant administrative burden. The Nebraska Department of Veterans Affairs has statewide but not county specific numbers in this regard. Conservatively, since Douglas County represents about 25% of the "tax loss" reimbursed by the state for homestead exemption, this could mean up to 3,700 additional people eligible for homestead exemption under LB 853 in Douglas County. Even assuming that some portion of that number will not own a home or will not be eligible for homestead due to the value of their home or income, it is probably not unreasonable to think our office would receive up to several thousand additional homestead applications were LB 853 to pass. Our cost estimate is based on those assumptions.

Our office we would have to add two new fulltime staffers, with benefits, and equipment. Those would be general fund expenditures.

Although not our costs, the addition of thousands more people receiving at least a partial homestead exemption would add to the state's homestead tax loss that is currently reimbursed to local governments. We are not sure how you would begin to estimate that figure but clearly more homestead exemptions, and more property taxes not collected locally means a greater tax loss for reimbursement.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2022-23</u>	<u>2023-24</u>
	<u>22-23</u>	<u>23-24</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>

<u>Assessor Support Tech</u>	<u>2</u>	<u>2</u>	<u>\$87,776</u>	<u>\$89,531</u>
Benefits			<u>\$28,134</u>	<u>\$28,134</u>
Operating				
Travel				
Capital outlay				
Aid				
Capital improvements			<u>\$1,980</u>	<u>\$0</u>
TOTAL			<u>\$117,890</u>	<u>\$117,665</u>