PREPARED BY: DATE PREPARED: PHONE: Austin Ligenza January 20, 2022 (402)471-0050

LB 853

Revision: 01

FISCAL NOTE

Revised to include Douglas County's response

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 B	SY: Neil Sullivan	DATE: 1/19/2022	PHONE: (402) 471-4179				
COMMENTS: The Department of Revenue assessment of fiscal impact from LB 853 appears reasonable.							

LB 853 Fiscal Note 2022

State Agency Estimate							
State Agency Name: Department of Revenue Date Due LFO:							
Approved by: Tony Fulton Date Prepared: 1/18/2022 Phone: 471-5896							
	FY 2022	2-2023	FY 2023	-2024	FY 2024-	2025	
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue	
General Funds	\$0		\$954,000		\$936,000		
Cash Funds							
Federal Funds							
Other Funds							
Total Funds	\$0		\$954,000		\$936,000		

LB 853 amends Neb. Rev. Stat. § 77-3508 for homestead exemption to create a new category of homestead exemption for disabled veterans who are 50% or more disabled due to a non-service-connected injury or illness. Currently, Neb. Rev. Stat. § 77-3508(b)(i) only provides a homestead exemption for disabled veterans who are totally (100%) disabled from a non-service-connected injury or illness. LB 853 will allow for more claimants to apply for the homestead exemption thereby increasing the amount of expenditures from the General Fund for reimbursement to counties to cover their tax loss due to the granted homestead exemptions.

LB 853 does not change the current law, but amends Neb. Rev. Stat. § 77-3508(1)(a)(i) to make it clear that the exemptions listed in Neb. Rev. Stat. § 3508(b)(i)-(iv) are limited to both "exempt value" and income limitations. This provision entitles the claimant to an exempt value that is the lesser of the taxable value of the homestead or 120% of the average assessed value of a single family residential in the claimant's county of residence as certified by the county assessor. If the claimant's homestead assessed value is equal to the exempt amount, the exemption amount is then subject to the maximum value limitation. This limitation is equal to 225% of the average assessed value of a single family residential in the claimant's county of residence as certified by the county assessor or \$100,000, whichever is larger. Finally, the exempt amount is multiplied by a percentage associated with the claimant's income.

LB 853 introduces a new homestead category that is effective January 1, 2023. The exempt amount of the new category is subject to the limitations of Neb. Rev. Stat. § 77-3508(1)(a)(i), the exempt amount will also be multiplied by a percentage associated with the claimant's disability percentage. Neb. Rev. Stat. § 77-3508(1)(b) is then amended to include subsection (v) granting a homestead exemption to disabled veterans who are 50% or more disabled due to a non-service-connected injury or illness. Neb. Rev. Stat. § 77-3508(1)(c) states that such disability percentage will be verified by a certification from the U.S. Dept. of Veterans Affairs.

The bill also amends Neb. Rev. Stat. § 77-3508(2) to ensure that the language used is consistent regarding income limitations.

Major Objects of Expenditure								
Class Code	Classification Title	22-23 <u>FTE</u>	23-24 <u>FTE</u>	24-25 <u>FTE</u>	22-23 Expenditures	23-24 Expenditures	24-25 Expenditures	
Benefits								
Operating Costs								
Capital Improvements	S							
Total			• • • • • • • • • • • • • • • • • • • •					

LB 853 page 2 Fiscal Note 2022

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 Affair 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.

POSITION TITLE

LB ⁽¹⁾ 853	3					FISCAL NOTE
State Agency O	R Political	l Subdivision Name: ⁽²⁾	Douglas County A	ssessor/Registe	er of Deeds	3
Prepared by: (3) Mich	ael Goodwillie	Date Prepared: (4)	1/20/2022	Phone: (5)(402) 444- 6703	
		ESTIMATE PROVID	– ED BY STATE AGEN	CY OR POLITICA	— AL SUBDIVIS	SION
		FY 20	22-2 <u>3</u>		FY 2023	3-24
		EXPENDITURES	REVENUE	EXPENDIT		REVENUE
GENERAL FU	INDS	\$117,890		\$117,6	55	
CASH FUNDS	}					
FEDERAL FU	NDS					
OTHER FUNI	OS					
TOTAL FUNI	OS	<u>\$117,890</u>		<u>\$117,6</u>	55	
homestead wit partial exempt further be most they have a distributed and in the provided an estate 5,251 veter potentially a li Douglas, it wo but not county loss" reimburs homestead exemples and think our office estimate is based on the partial of the partial	th the location from diffied by sability range ifficantly timate of the same and add a sepecifical by the emption woot be eligible on the sed o	ne applicant has from the al assessor's office and, property taxes on their their percent disability ating of 70%, their exemple of 20,653 for the number evide who are eligible to be than 15,000 potential reasonable in this regard. It is state for homestead example of the second of	based on income and thouse. Whatever per rating. If the applicant aption under LB 853 we mestead applicants. To veterans with a 50% participate in homes new applicants. For thive burden. The Nebronservatively, since emption, this could mester the value of their housand additional homes	the value of their hecentage exemption to would qualify for ould be 70%. The Nebraska Department of the department of t	artment of Very rating state disability rating of Veterans A represents about the in populous of the transport of transport of the transport of tran	t qualify for a full or t qualified for would tead exemption but eterans Affairs wide. Currently, there ng, so there are counties, like ffairs has statewide but 25% of the "tax le eligible for umber will not own a ot unreasonable to 3 to pass. Our cost
Our office we expenditures.	would ha	ve to add two new fullti	me staffers, with bene	fits, and equipmen	t. Those wou	ıld be general fund
to the state's h	omestead at figure	, the addition of thousar d tax loss that is current but clearly more homest nbursement.	tly reimbursed to loca	governments. W	e are not sure	how you would begin
		BREAKDOWN	BY MAJOR OBJECT	S OF EXPENDIT	<u>URE</u>	
Personal Servi	ces:	NUN	MBER OF POSITIONS	8 2022-9	23	2023-24

<u>22-23</u>

23-24

EXPENDITURES

EXPENDITURES

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