

**FISCAL NOTE**  
 LEGISLATIVE FISCAL ANALYST ESTIMATE

<b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES</b> (See narrative for political subdivision estimates)				
	<b>FY 2024-25</b>		<b>FY 2025-26</b>	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$173,680,764		\$408,035,992	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
<b>TOTAL FUNDS</b>	<b>\$173,680,764</b>		<b>\$408,035,992</b>	

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

LB 1361 would establish the Long-Term Resident Homestead Exemption Act.

Under the Act, homesteads of qualified owners would be assessed for taxation the same as other property, except that such homesteads would be eligible to receive an exemption as follows: For purposes of school district taxes only, the homestead of a qualified owner would be valued at zero. Qualified owner would mean an owner who has resided in the same homestead for at least 10 years as of January 1 of the current assessment year.

A qualified owner could apply for a homestead exemption under this Act by submitting an application to the county assessor of the county in which the homestead is located on a form prescribed by the Tax Commissioner. Once the owner has received approval of the exemption, such owner would only be required to file a subsequent application in years evenly divisible by five. Any qualified owner who receives an exemption under the Act for any year would not be eligible to receive a homestead exemption under sections 77-3501 to 77-3529 for the same year.

The county treasurer and county assessor would, on or before November 30 of each year, certify to the Tax Commissioner the total tax revenue that will be lost to all school districts within the county from taxes levied and assessed in that year because of exemptions allowed under the Act. The Tax Commissioner would, on or before January 1 next following such certification, notify the Director of Administrative Services of the amount so certified to be reimbursed by the state. Reimbursement of the funds lost would be made to each county according to the certification and would be distributed in six as nearly as possible equal monthly payments on the last business day of each month beginning in January. The Director of Administrative Service would, on the last business day of each month, issue payments via electronic funds transfer. Out of the amount so received the county treasurer would distribute to each of the school districts within his or her county the full amount so lost by such school district, except that 1% of such amount would be deposited in the county general fund. Each school district would, in preparing its annual or biennial budget, take into account the amount to be received.

The Tax Commissioner could adopt and promulgate rules and regulations to carry out the Act.

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

The Department of Revenue (DOR) estimates the following increase to General Fund expenditures as a result of the bill:

- FY 24-25: \$173,140,000
- FY 25-26: \$407,840,000
- FY 26-27: \$432,310,000
- FY 27-28: \$458,250,000

The DOR estimates a need for a one-time programming charge of \$368,964 to be paid to the Office of the Chief Information Officer (OCIO) for development and \$73,792 for maintenance in subsequent years. The DOR also estimates a need for an IT Business Systems Analyst and Revenue Tax Specialist in FY25. For FY26 and after, the DOR estimates a need for 0.5 FTE IT Business Systems Analyst and a Revenue Tax Specialist.

There is no basis to disagree with these estimates. However, the DOR does not assume any salary or benefits increases for FY25-26 and FY26-27 for the additional personnel needed pursuant to this bill's provisions. While the actual salary and health insurance increases for FY25-26 and thereafter are not yet determined, it is important to note that any additional personnel in FY24-25 will have

ongoing rising costs associated with salary and health insurance increases, which are normally addressed in the biennial budget process for all bargaining and non-bargaining employees.

Responding counties estimate IT costs to make the changes required by this bill, mailings to notify homeowners of the possible exemption, and additional personnel to process the increase in homestead applications. Personnel costs to process the additional applications are estimated to be higher initially and in years when applications are required again (years divisible by five). Counties would receive 1% of the amount reimbursed by the state.

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

2024

LB<sup>(1)</sup> 1361

FISCAL NOTE

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

Prepared by: <sup>(3)</sup> Michael Goodwillie Date Prepared: <sup>(4)</sup> 1/25/2024 Phone: <sup>(5)</sup> (402) 444-6703

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2024-25</u>		<u>FY 2025-26</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	<u>\$372,403</u>	<u>0</u>	<u>\$381,713</u>	_____

Explanation of Estimate: LB 1361 would provide that for people who have owned and occupied their home for at least ten years, for school property tax billing purposes, their property value for that home would be zero. In other words, they would get a tax bill using their property’s value for all of the other political subdivisions that levy taxes on their property, but would have no school taxes. It uses an application format—the property owner would file an application with the assessor’s office, and, if approved, would reapply in years divisible by five. This exemption, unlike homestead, is not “means-tested”, or limited by age. Administratively, there is no guidance about when such applications would be filed, or what happens if a property doesn’t qualify. The tax loss to the school districts would be reimbursed by the state.

To get an idea of what would be involved in this, our office was able to determine that there are 56,188 single-family dwellings in Douglas County for which the owner’s address is the same as the property address, (That’s as close as we can get to the universe of owner-occupied houses.) that sold most recently in a market transaction at least ten years ago. Processing 56,000 + applications for anything will add significant administrative costs to this office. For some perspective, our office uses six staffers to process approximately 13,000 homestead exemption applications every year. Processing up to 56,000 applications for anything would require additional staff for review and for data entry to keep track of who is in the program. The bill is not explicit about when the applications would be filed or what the administrative process would look like, which would affect staffing needs—will the applications have to be in a particular time window or would they be spread out throughout the year? As a rough estimate, we believe it would require 8 more staffers, at the same pay grade as those who process homestead applications, and in the first year, the cost would be \$372,403.

There will also be programming issues because this “exemption” would be applied at billing. Douglas Omaha Technology Commission does the programming for tax bills in the county. There would have to be one set of bills that had school taxes in them and another set that would not. There may be some significant time and cost for programming. The Commission and the Douglas County Treasurer have been in communication on this issue.

There is also the “tax loss”/reimbursement issue. This bill has the state reimbursing the school systems for the tax loss from the bill, the same way tax loss is reimbursed for homestead exemptions. The 56,000+ properties identified as potential recipients of this tax treatment own property worth an assessed value of \$15,313,810,895,000. Using a 2.25% property tax rate, that translates into \$344,560,745 in total property taxes. In Douglas County, the school portion of the property tax bill is between 55 and 58%. Using a 55% rate, which is conservative, the school taxes for these parcels are \$189,508,410, which would need to be reimbursed out of state funds.

**BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE**

**Personal Services:**

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2024-25</u>	<u>2025-26</u>
	<u>24-25</u>	<u>25-26</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
	8	8	\$372,403	\$381,713
Benefits.....				
Operating.....				
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
<b>TOTAL</b> .....				

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

**2024**

**LB1361** <sup>(1)</sup> Adopt the Long-Term Resident Homestead Exemption Act

**FISCAL NOTE**

State Agency OR Political Subdivision Name: <sup>(2)</sup>

**DOUGLAS COUNTY, NEBRASKA –  
TREASURER'S OFFICE**

Prepared by: <sup>(3)</sup> Amy Wyman,  
Treasurer's Office

Date Prepared: <sup>(4)</sup> 2/20/2024

Phone: <sup>(5)</sup> 402-444-4986

Marcos San Martin,  
County Administration

402-444-5116

**ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION**

	<u>FY 2024-25</u>		<u>FY 2025-26</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
<b>TOTAL FUNDS</b>	<b><u>\$412,000</u></b>	<u>N/A</u>	<u>_____</u>	<u>N/A</u>

Explanation of Estimate:

**NEGATIVE (DETRIMENTAL) FISCAL IMPACT TO DOUGLAS COUNTY**

The proposed legislation for LB1361 will result in cost mandates to the County of **\$412,000 (2,060 hours x \$200/hour)**. LB1361 involves a major rewrite of our 50+ year old system for the tracking and distribution of the funds to the entities along with changing the whole billing process to exclude schools or part of schools for this exemption. There will also be a cost to changing the statements from the print vendor depending on how we are required to present this exemption on the statement. The major rewrite of our system will be complicated (see below notes from Dot Comm our IT).

We are currently involved with Harris Group doing a Fit Gap project to see if their property tax system will fit our needs. The Treasurer's Office will have to depend on the Assessor's Office to flag the systems for each parcel to have the extra exemption for Long-Term Resident Homestead Exemption.

Category	Add'l Cost to Treasurer's Office	Notes
<i>By-Mail</i>		
<b>In-Person</b>		
		Analysis - An estimate of 200 hours to determine all the programs and databases that will be affected by this change.
		Programming changes and testing the processes. - There are 650+ programs that are affected by these changes and these programs

		will need to be recompiled or changes made to them. We estimate that 450 of these programs will need to be recompiled which will take 1 hour per program. The other 200 programs will need to be changed at 7 hours per program.
		Database expansion - There are three database segments that will need to get expanded at 10 hours to expand and reorg the databases.
		The total for this high-level estimate is 2,060 hours. We would need to do a better job of identifying all the databases and programs once we get into the analysis phase.

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**2024**

**LB<sup>(1)</sup> 1361**

**FISCAL NOTE**

State Agency OR Political Subdivision Name: <sup>(2)</sup> Lancaster County Assessor/Register of Deeds

Prepared by: <sup>(3)</sup> Dan Nolte Date Prepared: <sup>(4)</sup> 01/22/2024 Phone: <sup>(5)</sup> 402-441-7463

**ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION**

	<u>FY 2024-25</u>		<u>FY 2025-26</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	<u>75,000</u>	<u>                    </u>	<u>75,000</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>75,000</u>	<u>                    </u>	<u>75,000</u>	<u>                    </u>

**Explanation of Estimate:**

With the proposed legislation, we would anticipate the need for an additional staff person to process an increase in the number of homestead applications. Additionally, we would plan to contact homeowners in the specified census tracts to let them know of this benefit by mail. Costs for that we estimate to be \$10,000

**BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE**

**Personal Services:**

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2024-25</u>	<u>2025-26</u>
	<u>24-25</u>	<u>25-26</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Land Records Tech I	<u>1</u>	<u>1</u>	<u>65,000</u>	<u>65,000</u>
Benefits.....	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Operating.....	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Travel.....	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Capital outlay.....	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Aid.....	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Capital improvements.....	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
TOTAL.....	<u>                    </u>	<u>                    </u>	<u>65,000</u>	<u>65,000</u>

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

**2024**

**LB<sup>(1)</sup> 1361**

**FISCAL NOTE**

State Agency OR Political Subdivision Name: <sup>(2)</sup> Lancaster County Treasurer

Prepared by: <sup>(3)</sup> Rachel Garver Date Prepared: <sup>(4)</sup> Jan 25, 2024 Phone: <sup>(5)</sup> 402-441-7425

**ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION**

	<u>FY 2024-25</u>		<u>FY 2025-26</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	\$60,000			
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
<b>TOTAL FUNDS</b>				

**Explanation of Estimate:**

This would involve a major rewrite to our system. We would be dependent on how our County Assessor's Office reports this information on the tax roll and then have our IS Department make changes so 1. Parcels qualifying have appropriate property tax assessment and 2. Reporting as required by the Department of Revenue is written. Our IS Department charges \$200 per hour and this would be a major overhaul to our software system. It is estimated to take 300 hours.

**BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE**

**Personal Services:**

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2024-25</u>	<u>2025-26</u>
	<u>24-25</u>	<u>25-26</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Benefits.....				
Operating.....				
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
<b>TOTAL.....</b>				



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

**2024**

**LB<sup>(1)</sup> 1361**

**FISCAL NOTE**

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

Prepared by: <sup>(3)</sup> Elaine Menzel Date Prepared: <sup>(4)</sup> 1/24/2024 Phone: <sup>(5)</sup> 402.434.5660

**ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION**

	<u>FY 2024-25</u>		<u>FY 2025-26</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 1361 would adopt the Long-Term Resident Homestead Exemption Act. The county assessor would be required to examine each application filed under this section. If the homestead qualifies for an exemption as a qualified owner (owner who has resided in the same homestead for at least 10 years), the county assessor shall (a) approve the application, (b) notify the qualified owner of the approval, and (c) adjust the assessment rolls accordingly.

According to the U.S. Census (estimates 7/1/23), there are 863,913 housing units in Nebraska (defined as a "house, an apartment, a mobile home, a group of rooms, or a single room that is occupied (or if vacant, is intended for occupancy) as separate living quarters). The owner-occupied rate in Nebraska is 66% ("A housing unit is owner-occupied if the owner or co-owner lives in the unit, even if it is mortgaged or not fully paid for).

There are an estimated 570,183 owner-occupied housing units in Nebraska. If roughly 40% (according to an article appearing to use data from the National Association of Realtors) have lived in their housing unit for more than 10 years, that means there are an estimated 228,073 housing units occupied by their owner for more than 10 years in Nebraska. In 2021, there were 51,200 exemptions. If the 228,073 applied for a homestead exemption, there would be greater than 178,000 more applicants within the pool of qualified homeowners than in 2021. Given that LB 1361 could potentially increase the pool of eligible homeowners qualified and applications received and processed by the assessor for the homestead exemption by approximately 178,000 applicants, the workload for reviewing, processing and administering would increase and it would minimally be offset by the amount received for the 2% collection fee. This would nearly quadruple the counties' cost of administering the homestead exemption program.

**BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE**

**Personal Services:**

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2024-25 EXPENDITURES</u>	<u>2025-26 EXPENDITURES</u>
	<u>24-25</u>	<u>25-26</u>		
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____



Fiscal Year	General Fund expenditures
FY2024-25	\$ 173,140,000
FY2025-26	\$ 407,840,000
FY2026-27	\$ 432,310,000
FY2027-28	\$ 458,250,000

LB 1361 will require a one-time programming change of \$368,964 paid to OCIO for development, followed by annual maintenance costs of \$73,792. Additionally, staffing demands include 1.0 FTE tax specialist and 1.0 FTE IT Business Analyst in the first year, reducing to 0.5 FTE for the IT analyst in subsequent years.

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