

FISCAL NOTE
 LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2024-25		FY 2025-26	
	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 1362 would make changes so that residential property would be valued for taxation at its actual value, except that the valuations for such property could not increase by more than 5% per year. The bill also adds that since the effectiveness of the changes under this bill are dependent upon the adoption of an amendment to the Constitution of Nebraska, these changes under the bill would not be in force or take effect until the date on which the Governor proclaims such a constitutional amendment, at which time these changes would be in full force and effect.

The Department of Revenue estimates no impact to General Fund revenues and minimal costs to it to implement the bill.

There is no basis to disagree with these estimates.

The Nebraska Association of County Officials details significant residential property tax revenue loss considering the mentioned 5% cap based upon property tax data from the last ten years.

The impact to political subdivisions will vary depending on the levy and residential valuation and valuation of other types of property. Capping valuation could lead to decreased revenue or an increase in the levy amount, if the political subdivision is below the maximum levy. An increase in the levy would alter the distribution of the tax burden between types of property within a political subdivision.

Property taxes are the primary funding source for the local resources component of the TEEOSA calculation. This bill alters a district's ability to tax to fund the district, which could affect the amount of TEEOSA state aid received. The potential impact would vary by school district and the state impact to TEEOSA is indeterminate at this time. By capping valuations at 5%, this could increase eligibility and change exemption amounts for the homestead exemption program, but the effect is indeterminate. Also, the distribution of property tax credits sent by the state to local governments could be altered as a result of this bill.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB: 1362	AM:	AGENCY/POLT. SUB: Department of Revenue	
REVIEWED BY: Neil Sullivan	DATE: 2/21/2024	PHONE: (402) 471-4179	
COMMENTS: The Department of Revenue assessment of minimal fiscal impact from LB 1362 appears reasonable.			

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB: 1362	AM:	AGENCY/POLT. SUB: Lancaster County	
REVIEWED BY: Neil Sullivan	DATE: 2/20/2024	PHONE: (402) 471-4179	
COMMENTS: No basis to disagree with the Lancaster County assessment of no fiscal impact from LB 1362.			

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 1362	AM:	AGENCY/POLT. SUB: Lancaster County Assessor
REVIEWED BY: Neil Sullivan	DATE: 2/20/2024	PHONE: (402) 471-4179
COMMENTS: No basis to disagree with the Lancaster County Assessor assessment of no fiscal impact from LB 1362.		

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 1362	AM:	AGENCY/POLT. SUB: Nebraska Association of County Officials
REVIEWED BY: Neil Sullivan	DATE: 2/20/2024	PHONE: (402) 471-4179
COMMENTS: No basis to disagree with the Nebraska Association of County Officials assessment of fiscal impact from LB 1362.		

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

2024

LB⁽¹⁾ 1362

FISCAL NOTE

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

Prepared by: ⁽³⁾ Dan Nolte Date Prepared: ⁽⁴⁾ 01/18/2024 Phone: ⁽⁵⁾ 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	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	=====	=====	=====	=====

Explanation of Estimate:

This legislation would have no fiscal impact on the Assessor/Register Of Deeds Office.

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.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____

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2024

LB⁽¹⁾ 1362

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Lancaster County (Budget & Fiscal)

Prepared by: ⁽³⁾ Dennis Meyer Date Prepared: ⁽⁴⁾ 1-25-24 Phone: ⁽⁵⁾ 402-441-6869

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:

Residential property shall not increase by more than five percent each year. No fiscal impact to the county. Valuations are used for levy setting calculations.

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.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____

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

2024

LB⁽¹⁾ 1362

FISCAL NOTE

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

Prepared by: ⁽³⁾ Elaine Menzel Date Prepared: ⁽⁴⁾ 1/23/2024 Phone: ⁽⁵⁾ 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 1362 would change provisions relating to the valuation of residential property by capping valuations at no more than 5% increase per year. Information is analyzed from a dataset of 2013-2023 using aggregate residential real property valuations and taxes levied gathered from reports issued by the Nebraska Department of Revenue Property Assessment Division (PAD). Then, starting in 2014, it was estimated what the total property valuation and taxes levied would have been for each year had the 5% cap been in place. From 2013-2016, valuations did not increase by more than 5%, so the actual valuations and taxes levied were simply used for our projected valuations and taxes levied. In 2017, however, annual valuations rose above 5%, which is when we began capping valuations at 5%. We then examined the average and cumulative difference in valuations and tax levied between the actual PAD reports and the projected figures based on the 5% cap for data going back to 2013 (Jon asked for all the data, not just a five-year average).

Based on the data, a 5% cap on residential property valuations since 2013 would have reduced the total residential property valuation by \$5,399,755,380 annually, on average, as well as reduced the total residential property taxes by \$106,069,389 annually, on average. The Property Tax Administrator’s (PTA) reports detail that valuation grew from \$76,606,449,070 in 2013 to \$147,261,645,473 in 2023 (a difference of \$70,655,196,403); however, a 5% cap would have limited valuation growth from \$76,606,449,070 in 2013 to \$121,364,445,395 in 2023 (a difference of \$44,757,996,325). The PTA reports detail that residential property taxes grew from \$1,595,969,689 in 2013 to \$2,799,101,804 in 2023 (a difference of \$1,203,132,115); however, a 5% cap would have limited residential property tax growth from \$1,595,969,689 in 2013 to \$2,306,856,187 to 2023 (a difference of \$710,886,499).

By totaling the annual difference between actual vs. projected residential property taxes from 2013-2023, capping residential property valuations at 5% would result in an overall loss of \$1,060,693,886 of property tax revenue during that timeframe if levy rates had not risen commensurate with local needs.

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.....	_____	_____	_____	_____

TOTAL.....
