John Wiemer August 05, 2024 402-471-0051

LB 22

Revision: 01

FISCAL NOTE

Revised per response from the Dept. of Revenue

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)								
	FY 2024-25 FY 2025-26							
	EXPENDITURES	EXPENDITURES REVENUE EXPENDITURES REVEN						
GENERAL FUNDS	\$136,458		\$836,000,000					
CASH FUNDS								
FEDERAL FUNDS								
OTHER FUNDS								
TOTAL FUNDS	\$136,458		\$836,000,000					

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

LB 22 would make changes to the Homestead Exemption Program.

Under the bill, all homesteads in the state would be assessed for taxation the same as other property, except that commencing January 1, 2025, there would be exempt from taxation of homesteads the first \$100,000 of the actual value of the homestead.

The exemptions in sections 77-3506, 77-3507, and 77-3508 would be in addition to the exemption under this bill.

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

FY25: \$0

FY26: \$836,000,000FY27: \$857.000.000

The DOR also estimates a one-time programming charge of \$136,458 to be paid to the Office of the Chief Information Officer (OCIO) as a result of the bill.

There is no basis to disagree with these estimates by the DOR.

The Douglas County Assessor/Register of Deeds Office estimates additional staff needed due to the expected increase in applications for the Program. The Lancaster County Assessor/Register of Deeds Office also estimates a need for additional staff and IT costs as a result of the bill. The 1% of the total reimbursement from the state to political subdivisions retained in the county general fund would help counties cover costs connected to the expansion of the Program under this bill.

LB⁽¹⁾ 22—Special Session **FISCAL NOTE** Douglas County Assessor/Register of Deeds Office State Agency OR Political Subdivision Name: (2) Date Prepared: (4) 7/31/2024 Phone: (5) 402 444-6703 Prepared by: (3) Michael Goodwillie ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION FY 2024-25 FY 2025-26 **EXPENDITURES REVENUE EXPENDITURES REVENUE GENERAL FUNDS** \$1,163,700 \$1,192,865 **CASH FUNDS** FEDERAL FUNDS **OTHER FUNDS** TOTAL FUNDS \$1,163,700 \$1,192,865

Explanation of Estimate:

LB 22 would use the vehicle of homestead exemption to provide an exemption from property taxes for the first \$100,000 in value for all owner-occupied residences. This exemption would apply regardless of the income of the applicant or the value of the house—the two "means-testing" provisions of the current homestead exemption program. The property owner would have to be the owner of record and reside in the property between January 1 and August 15 and there is an annual application requirement. The "tax loss" for the political subdivisions would be reimbursed by the state.

In reviewing the potential impact of LB 22, our office does not monitor who actually lives in a dwelling. So, as an approximation of owner-occupancy, we used properties where the owner's mailing address and the property address were the same. There are currently 143,132 properties that fit that description in Douglas County. That is the universe of potential applicants/recipients. Currently, there are 13,712 properties that are currently receiving a full or partial homestead exemption. Since all fit the category of owner-occupants, subtracting that number from the total number of owner-occupied properties would leave 129,420 potential new applicants.

In terms of administrative costs, processing up to 129,200 new homestead applicants would require additional staff. To give you an idea of what that might look like, our office gets 14,000-15,000 homestead applications every year and they are processed by nine staffers. Adding potentially close to 130,000 new applications would require considerable investments in staff to process and review the applications. There may be ways to streamline the process but there will be similar issues for these applicants that we deal with in our current homestead review—Who actually owns the home and has the applicant lived there during the residency period required by the homestead statutes—that will require more review than simply a rubber stamp of every application that comes in. Our office estimates a minimum of 25 new staffers.

As for the value of the exemption and potential tax loss, since there could be up to 129,200 new applications, the amount of value could be up to \$12,920,000,000, when the number of potential new applicants is multiplied by \$100,000. That is likely to be a bit high—there will be some homesteads with a value of less than \$100,000. But given the market for single-family residences in Douglas County, that number is getting ever smaller. That figure, when multiplied by a tax rate of 2.245 percent, would result in a potential tax loss of \$290,054,000 that would be subject to state reimbursement.

	NUMBER OF	POSITIONS	2024-25	2025-26
POSITION TITLE	<u>24-25</u>	<u>25-26</u>	EXPENDITURES	EXPENDITURES
Assessor Support Tech	25	25	\$1,163,760	\$1,192,865
Benefits				
Operating				
Travel				
Capital outlay				
Aid				
Capital improvements				
TOTAL			\$1,163,700	\$1,192,865

LB ⁽¹⁾ 22					FISCAL NOTE
State Agency OR Political Subdivision Name:	Lancas	ter County	Assessor/Regis	ster of Deed	ls
Prepared by: (3) Dan Nolte	Date 1	Prepared: ⁽⁴⁾	07/30/24	Phone: (5)	402-441-7463
ESTIMATE PRO	OVIDED BY S	TATE AGEN	NCY OR POLITIC	AL SUBDIVIS	ION
	VIDED BI S	THIE HOLI	NOT ON TOPHTIC	TE SCEDE VIS	1011
<u>EXPENDITUR</u>	<u>Y 2024-25</u> <u>ES</u> <u>I</u>	<u>REVENUE</u>	<u>EXPENDIT</u>	<u>FY 2025</u> <u>TURES</u>	<u>-26</u> <u>REVENUE</u>
GENERAL FUNDS 75,000			65,00	0	
CASH FUNDS					
FEDERAL FUNDS	<u></u>				
OTHER FUNDS					
TOTAL FUNDS					
Explanation of Estimate:	<u> </u>				
Explanation of Estimates					
Personal Services:	<u>)WN BY MA.</u>	JOR OBJECT	<u> CS OF EXPENDIT</u>	<u>'URE</u>	
POSITION TITLE	NUMBER OI <u>24-25</u>	F POSITION <u>25-26</u>	S 2024-9 EXPENDIT		2025-26 EXPENDITURES
			_		
Benefits					
Operating					
Travel					
Capital outlay			-		
Capital improvements			-		
TOTAL					

LB ⁽¹⁾ 22 S	Special Session					FISCAL NOTE
State Agency OR	Political Subdivision Name: (Nebraska A	ssociatio	n of County O	fficials (NA	CO)
Prepared by: (3)	Elaine Menzel	Date Prepa	red: (4)	7/29/2024	Phone: (5)	402.434.5660
	ESTIMATE PRO	VIDED BY STAT	E AGENCY	OR POLITICAL	L SUBDIVIS	ION
	F	Y 2024-25			FY 2025	-96
	<u>EXPENDITURI</u>		<u>NUE</u>	EXPENDITU		<u>REVENUE</u>
GENERAL FUN	NDS					
CASH FUNDS						
FEDERAL FUN	DS	<u> </u>				
OTHER FUNDS		_				
TOTAL FUNDS						
Explanation of H	Estimate:					
improvement \$100,000 to 6 2023 Levy to for owner-occ The estimate between \$50,	ng the number of residence records using the modestimate the loss in taxestimate the lost court cupied housing. of the proposed exempto and \$68 or lost county revenue	st available CT kable valuation inty revenue. Als inption would re 1,422,900,000. V somewhere be	L data, we we choose, we choose we choose we choose we choose with a red we also extreen \$1	e then multiplice multipliced the ecked this figured eduction of tax estimate that the 48,215,991 ar	ed the nun county an re using 2 cable valuate propose ad \$200,08	nber of records by nounts by the 020 census data ation somewhere ed exemption
Personal Service	· · · · · · · · · · · · · · · · · · ·	OWN BY MAJOR	OBJECTS (<u> DF EXPENDITU</u>	<u>RE</u>	
		NUMBER OF POS <u>24-25</u>	SITIONS <u>25-26</u>	2024-25 EXPENDITI		2025-26 EXPENDITURES
Benefits						
Operating						
Travel						
Capital improve	ments					

State Agency Estimate								
State Agency Name: Department of	of Revenue				Date Due LFO:			
Approved by: James R. Kamm		Date Prepared:	LEAVE BLA	NK	Phone: 471-5896			
	FY 2024	FY 2024-2025		-2026	FY 2026-2027			
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue		
General Funds	\$136,458		\$836,000,000		\$857,000,000			
Cash Funds								
Federal Funds								
Other Funds								
Total Funds	\$136,458		\$836,000,000		\$857,000,000			

LB 22 states that the Legislature finds and declares the homestead exemption should be protected and expanded to provide broad-based property tax relief to Nebraska residents. Provides that the first \$100,000 of a homestead's actual value will be exempt from taxation. The homestead exemptions in Neb. Rev. Stat. §\$ 77-3506, 77-3507, and 77-3508 will be in addition to the \$100,000 exemption. The definition of "homestead" from Neb. Rev. Stat. § 77-3502 remains unchanged.

The tax statement must reflect the tax loss caused by the new exemption. The county treasurer and assessor must certify this loss, which will be reimbursed by the state as a homestead exemption.

It is estimated that LB 22 will impact General Fund expenditures as follows:

Fiscal Year	General Fund	d Expenditures
FY2024-2025	\$	1
FY2025-2026	\$	836,000,000
FY2026-2027	\$	857,000,000

It is estimated that LB 22 will require a one-time programming charge of the \$136,458 paid to OCIO for web team development.

The operative date for this bill is January 1, 2025.

Major Objects of Expenditure								
Class Code	Classification Title	24-25 <u>FTE</u>	25-26 <u>FTE</u>	26-27 <u>FTE</u>	24-25 Expenditures	25-26 Expenditures	26-27 Expenditures	
Benefits								
Operating Costs					\$136,458			
Travel								
Capital Outlay								
					\$136,458			