

Revised per Response from Dept. of Revenue

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	\$177,712		\$187,254	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$177,712		\$187,254	

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

LB 79 would make changes to the Homestead Exemption Program.

The bill would change sections 77-3507 and 77-3508 so that for exemption applications filed in calendar year 2025 and each calendar year after, the percentage of the exempt amount, currently based on the household income of the claimant, would also be determined based on the length of time that the claimant has occupied the homestead.

Under the bill, for exemption applications filed in calendar year 2025 and each calendar year after, the percentage of relief based on the current tables connected to household income would be adjusted as follows:

- If the claimant has occupied the homestead for at least 20 years, such percentage would be increased by 2.5%, except that in no case would the percentage exceed 100%; and
- If the claimant has occupied the homestead for at least 25 years, such percentage would be increased by 5%, except that in no case would the percentage exceed 100%.

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: \$151,000
- FY27: \$160,000

The DOR estimates a one-time cost of \$136,458 to be paid to the Office of the Chief Information Officer (OCIO) as well as one part-time position to audit and verify ownership under the changes from this bill.

Responding county entities estimate IT and administrative costs as a result of this bill.

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

2024

LB⁽¹⁾ 79

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Douglas County Assessor/Register of Deeds Office
⁽⁴⁰²⁾ 515-9644

Prepared by: ⁽³⁾ Michael Goodwillie Date Prepared: ⁽⁴⁾ 8/1/2024 Phone: ⁽⁵⁾ 402 515-9644

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 79 would add to the percentage exemption of partial homestead qualifiers, based on income, for the amount of time someone lived in their home. So, for example, if someone was a 50 % qualifier based on their income but had lived in their home for at least 25 years, that person would qualify for another 5% exemption and would be a 55% qualifier. If in the home over 20 years but fewer than 25, the additional percentage is 2.5%. This raises a question. The bill just talks about an additional five percent or two and one-half percent but that the percentage cannot exceed 100%. Currently, the percentage exemptions for homestead exemption work in increments of 10% (100-90-80-70, etc). So, the addition of 5% or 2 1/2% would never get to 100% or more, that latter limit of no more than 100% seems unnecessary, unless the intent was to add 5% or 2 1/2 percent for each year the applicant lived in their property, either for each year the applicant owned the property or each year the applicant owned the property over 20 or 25 years. Additionally, because it uses the word “the homestead”, rather than “a homestead”, it appears that this bill is limited to someone who has owned that particular house for at least 20 or 25 years.

For our office, estimating the potential affected population is difficult because we don’t keep track of how long someone has lived in a house, especially going back 20 or 25 years. It isn’t relevant to valuing a property and even for the homestead program, the residence requirement is that the applicant must be in the house between January 1 and August 15 of the year for which he or she applies. We do keep sales data in our computer assisted mass appraisal system, so the best we could do is to search for residences where the owner’s mailing address is the same as the property address and the most recent arm’s length sale of the property is over 20 or 25 years old. However because our system is fewer than 25 years old, we are unable to determine, with any accuracy, what the universe of applicants would look like for the 25 year ownership class. To provide some perspective, the Nebraska Records Management Division has a records retention schedule provides that Form 521 Real Estate Transfer Statements may be disposed of after four years.

Because the additional benefit is within the class of those who already qualify, we do not believe that LB 79 would lead to a significant number of additional applicants—it provides additional exemption to those already receiving a partial exemption under the existing income limits. So we don’t see our office needing additional staff to accommodate LB 79. It also is hard to calculate any additional exemption amount or tax loss—we don’t know how many 20% exempt houses would become 22.5% or 25% exempt houses. There would be more value exempt and more tax loss to be reimbursed by the state.

We do perceive that there is likely to be a programming issue for billing under LB 79. For homestead billing, the exempt percentage is applied to the value eligible for exemption and then the tax rate is applied. Currently, that calculation is based on increments of ten for partial exemptions. That would have to be reprogrammed to have five or two and one half percent increments. That would be a conversation for the Douglas County Treasurer and the Douglas-Omaha Technology Commisison (DotComm.)

In short, we don’t see direct administrative costs to our office based on LB 79. Determining the number of potential

beneficiaries and how much they might benefit is undeterminable based on the data available to us. There would be undetermined administrative and programming costs to other county entities.

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⁾ LB 79

FISCAL NOTE

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

Prepared by: ⁽³⁾ Dan Nolte Date Prepared: ⁽⁴⁾ 07/30/24 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	\$10,000			
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS				

Explanation of Estimate:
Computer programming changes

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⁾ 79

FISCAL NOTE

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

Prepared by: ⁽³⁾ Kevin Nelson Date Prepared: ⁽⁴⁾ 7/30/2024 Phone: ⁽⁵⁾ 402-441-7448

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:

For the fiscal year ended June 30, 2024, property tax revenue for property with a homestead exemption amounted to \$2.9M. The impact of this bill on that revenue stream to Lancaster County cannot be easily determined at this time. This bill would have minimal fiscal impact on the expenditures of Lancaster County.

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.....	_____	_____	_____	_____

State Agency Estimate

State Agency Name: Department of Revenue

Date Due LFO:

Approved by: James R. Kamm

Date Prepared: 08/06/2024

Phone: 471-5896

	FY 2024-2025		FY 2025-2026		FY 2026-2027	
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue
General Funds	\$177,712		\$187,254		\$196,254	
Cash Funds						
Federal Funds						
Other Funds						
Total Funds	\$177,712		\$187,254		\$196,254	

LB 79 amends Neb. Rev. Stat. § 77-3507 and 77-3508, the homestead exemption income-based relief percentage to qualified claimants and qualified veteran claimants, so that homestead exemption applications filed in calendar years 2025 and thereafter qualify for a 2.5% increase in exemption amount percentage as previously determined under the statute if they occupied the homestead for at least 20 years and a 5% increase if they occupied the homestead for at least 25 years, but the percentage may not exceed 100.

Department of Revenue (DOR) used current homestead data and Public Use Microdata Sample (PUMS) data from Census to run simulation on the homestead data and estimated that LB 79 will have the following impact on the General Fund expenditures:

Fiscal Year	General Fund expenditures
FY2024-25	\$ -
FY2025-26	\$ 151,000
FY2026-27	\$ 160,000

It is estimated that LB 79 will require one part-time position to help with auditing and verifying ownership. Additionally, LB 79 will require a one-time programming charge of the \$136,458 paid to OCIO for web development.

The operative date for this bill is three months after Governor’s Signature.

Major Objects of Expenditure

Class Code	Classification Title	FTE			Expenditures		
		24-25	25-26	26-27	24-25	25-26	26-27
	Benefits.....						
	Operating Costs.....				\$172,712	\$36,254	\$36,254
	Travel.....						
	Capital Outlay.....				\$5,000		
	Capital Improvements.....						
	Total.....				\$177,712	\$36,254	\$36,254