

# FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

## ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)

	FY 2025-26		FY 2026-27	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS			\$62,980,000	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS			\$62,980,000	

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

LB 272 amends section 77-3506 regarding the Homestead Exemption Program.

Section 77-3506 is amended so that there shall be exempt from taxation, on any homestead described in subdivision (2)(g), a percentage of the exempt amount. The percentage of the exempt amount shall be equal to the disability percentage of the veteran of the homestead.

Subdivision (2)(g) is added to statutes and requires that beginning January 1, 2026, a veteran who was discharged or otherwise separated with a characterization of honorable or general (under honorable conditions), who is drawing compensation from the United States Department of Veterans Affairs because the veteran is at least 10% disabled but less than 100% disabled due to a service-connected disability, and who is not eligible for total exemption under sections 77-3526 to 77-3528, an unremarried surviving spouse of such a veteran, or a surviving spouse of such a veteran who remarries after attaining the age of 57 years is eligible for the homestead exemption amount described above.

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

- FY26: \$0
- FY27: \$62,980,000
- FY28: \$66,565,000
- FY29: \$70,353,000

The DOR estimates minimal costs to it to implement the bill.

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

Political subdivisions are estimated to be reimbursed by the state for property tax losses as a result of changes to the Homestead Program under this bill.

The Douglas County Assessor/Register of Deeds Office estimates the need for 1 FTE to process additional Homestead applications as a result of the bill.

### ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE

LB: 272	AM:	AGENCY/POLT. SUB: Department of Revenue	
REVIEWED BY: Ryan Yang		DATE: 1/24/2025	PHONE: (402) 471-4178
COMMENTS: No basis to disagree with the Department of Revenue assessment of fiscal impact from LB 272.			

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 272	AM:	AGENCY/POLT. SUB: Douglas County Assessor/Register of Deeds
REVIEWED BY: Ryan Yang	DATE: 1/23/2025	PHONE: (402) 471-4178
COMMENTS: No basis to disagree with the Douglas County Assessor/Register of Deeds assessment of fiscal impact from LB 272.		

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 272	AM:	AGENCY/POLT. SUB: Lancaster County Assessor/Register of Deeds
REVIEWED BY: Ryan Yang	DATE: 1/22/2025	PHONE: (402) 471-4178
COMMENTS: No basis to disagree with the Lancaster County Assessor/Register of Deeds assessment of no fiscal impact from LB 272.		

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

2025

LB<sup>(1)</sup> 272

FISCAL NOTE

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

Prepared by: <sup>(3)</sup> Michael Goodwillie Date Prepared: <sup>(4)</sup> 1/22/2025 Phone: <sup>(5)</sup> 402-444-6703

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2025-26</u>		<u>FY 2026-27</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	\$48,900		\$49,800	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$48,900		\$49,800	

Explanation of Estimate: LB 272, beginning in 2026, would expand the homestead exemption to include veterans who are at least 10% but less than 100% disabled due to a service-connected disability. They would be eligible for a percentage exemption on the value of their home based on their disability percentage. Because they are in the service-connected disability group, the exemption would not be limited by the value of their home or their income—a means test that applies to other classes of homestead applicants. As with the other recipients of homestead exemption, the “tax loss” to local political subdivisions would be reimbursed by the state of Nebraska.

A version of this bill was proposed last year. At that time, we estimated the potential cost of the bill to this office, using figures obtained from County Veterans’ Services. We have sought to update our numbers from them on the number of potential applicants but have yet to receive the data. Our suspicion is that the figures regarding the number of veterans in this category will not significantly change.

According to the Douglas County Veterans Services Office, 7,363 veterans in Douglas County were rated at less than 100% disability. We don’t know if all of them have service-connected disabilities and are owner-occupants of dwellings as defined by the Homestead Exemption statutes and because of that we don’t know how much value would be exempt and how large the “tax loss” reimbursed by the state to local political subdivisions would be. That 7000+ number is the outer edge of potential applicants of that class. For 2024, the average single-family dwelling in Douglas County had a value of \$272,000. Hypothetically, if 1,000 people from this class applied and owned a house worth the average value amount, that represents \$272,000,000 in value. Multiplied by a 2.03% tax rate (the consolidated rate in OPS), that represents \$5,521,600 in property taxes. Because the people in this class would be percentage qualifiers, based on their disability percentage, the tax loss would be something less than that. Without any empirical basis, if you just said that the average disability rating was 50%, you would have a tax loss for this class of \$2,760,800. Under current law, the State of Nebraska would reimburse the local political subdivisions for that tax loss. Generally, Douglas County represents between 25 and 30% of the homestead tax loss statewide. This added class could add somewhere in the neighborhood of \$11,000,000 to the state reimbursement amount. I realize that these are, at best, somewhat educated guesses because there are pieces related to the home ownership and value of those homes for people in this class that we simply don’t know. But there certainly would be an uptick in applicants, the amount of tax loss, and the amount the state would need to reimburse political subdivisions.

Administratively, there would be some additional work for this office in processing additional applications. It is hard to estimate what that would be without having a more precise idea of how many more applications we will get. But as a metric, we have just under 15,000 currently in the homestead exemption program and those applications are reviewed and processed by a staff of nine. Those nine people also process business personal property returns in the same time window as the homestead exemption application period. We think the potential added applications would necessitate the addition of one staffer at a cost of \$48,900.

**BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE**

**Personal Services:**

<b><u>POSITION TITLE</u></b>	<b><u>NUMBER OF POSITIONS</u></b>		<b><u>2025-26</u></b>	<b><u>2026-27</u></b>
	<b><u>25-26</u></b>	<b><u>26-27</u></b>	<b><u>EXPENDITURES</u></b>	<b><u>EXPENDITURES</u></b>
Assessor Support Tech I	1	1	\$48,900	\$49,800
Benefits.....				
Operating.....				
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
TOTAL.....			\$48,900	\$49,800

LB<sup>(1)</sup> 272

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> 01/21/25

Phone: <sup>(5)</sup> 402-441-7463

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	FY 2025-26		FY 2026-27	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS				

Explanation of Estimate: The proposed legislation will have no fiscal impact on this office.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE				
Personal Services:				
POSITION TITLE	NUMBER OF POSITIONS		2025-26	2026-27
	25-26	26-27	EXPENDITURES	EXPENDITURES
Benefits.....				
Operating.....				
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
TOTAL.....				

## Phone: 471-5896

Major Objects of Expenditure							
Class Code	Classification Title	25-26 FTE	26-27 FTE	27-28 FTE	25-26 Expenditures	26-27 Expenditures	27-28 Expenditures
Benefits.....							
Operating Costs.....							
Travel.....							
Capital Outlay.....							
Capital Improvements.....							
<b>Total.....</b>							

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

Prepared by: <sup>(3)</sup> Elaine Menzel      Date Prepared: <sup>(4)</sup> 1/21 /2025      Phone: <sup>(5)</sup> 402.434.5660

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION				
	FY 2025-26		FY 2026-27	
	<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:

LB272 would add a homestead exemption applicable to disabled veterans and surviving spouses. The exemption would begin January 1, 2026 , and apply to a veteran who was discharged or otherwise separated with a characterization of honorable or general (under honorable conditions), who is drawing compensation from the United States Department of Veterans Affairs because the veteran is at least 10 % disabled but less than 100 % disabled due to a service-connected disability, and who is not eligible for total exemption, an unremarried surviving spouse such a veteran, or a surviving spouse of such a veteran who remarries after attaining the age of 57 years.

According to the U.S. Bureau of Labor Statistics (2023), 5.9% of veterans have a 30% or less disability, 5.1% have a 30-50% disability, and 16.4% have a 60% or higher disability. Applying these percentages to Nebraska's veteran population of 114,353 (as estimated by figures and projections from the U.S. Department of Veterans Affairs, 2024), this means that of Nebraska veterans, 6,741 have a 30% or less disability, 5,865 have a 30-50% disability, and 18,804 have a 60% of higher disability. According to Zillow, the median sale price of a Nebraska home is \$260,000. According to the Nebraska Department of Revenue, the average tax rate in Nebraska counties was 1.5326, meaning that approximately \$125,161,312 is currently collected from Nebraska veterans with disabilities. Reducing this amount based on the percentage of disability for each class of veterans would yield \$77,350,169, or a loss of \$47,811,143 of tax.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE				
Personal Services:				
POSITION TITLE	NUMBER OF POSITIONS		2025-26	2026-27
	25-26	26-27	EXPENDITURES	EXPENDITURES
Benefits.....				
Operating.....				
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
TOTAL.....				