PREPARED BY: DATE PREPARED: PHONE: Doug Gibbs February 11, 2015 402-471-0051

**LB 615** 

Revision: 00

## **FISCAL NOTE**

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT - STATE AGENCIES (See narrative for political subdivision estimates)							
	FY 201	5-16	FY 2016-17				
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE			
GENERAL FUNDS	\$60,600	\$0	\$56,800	(\$3,070,000)			
CASH FUNDS							
FEDERAL FUNDS							
OTHER FUNDS							
TOTAL FUNDS	\$60,600	\$0	\$56,800	(\$3,070,000)			

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

LB 615 creates a property tax exemption for homesteads owned and occupied by persons age 67 or over.

The exemption applies to the increase in assessed value of the homestead from a base year to the current year. The base year is either, for a person who is 67 years of age or older on or after January 1, 2016: a) the year the homestead is purchased or constructed; b) if the person already owns the homestead it is the year the bill becomes operative (2016). For a person who turns 67 after January 1, 2016, the base year is the year in which the person turns 67. In this context, current year refers to years after the operative date of this bill (January 1, 2016) in which valuation is made. In effect, taxable valuation is frozen at the base year level.

The exemption would not apply to substantial improvements to the homestead after the person first qualifies for the exemption. What comprises a substantial improvement is not defined in LB 615.

The bill provides that the new exemption created by the bill also applies to individuals who are currently eligible for the existing homestead exemptions and that all exemption amounts are added together to determine the property tax liability, but in no case may the liability be less than zero.

The Department of Revenue indicates the following fiscal impact to the General Fund as a result of LB 615:

FY2015-16: \$ 0 FY2016-17: (\$ 3,070,000) FY2017-18: (\$ 3,132,000) FY2018-19: (\$ 3,194,000)

We have no basis to disagree with the Department of Revenue's estimate of fiscal impact.

**NOTE:** It should be noted that the loss to the General Fund is a result of the additional exemption that individuals currently eligible for the existing homestead exemption would receive and is the amount the state would reimburse political subdivisions for the additional exemption. However, this does not account for the entire amount of reduced revenue political subdivisions would incur. There is no mechanism in LB 615 to provide for state reimbursement of the lost revenue due to individuals not eligible for the current homestead exemption receiving the new exemption. Because the new exemption applies to everyone age 67 or over and there are no limitations on income or home value specified in LB 615, the political subdivision's loss of revenue could be substantial.

The Department of Revenue indicates the cost to implement LB 615 will require 0.5 FTE Revenue Tax Specialist and 0.5 FTE Senior Application Developer, necessary to administer the program. This cost includes PSL of \$55,600 and \$56,800 for FY2015-16 and FY2016-17, respectively.

We agree with the Department of Revenue's estimate of cost.

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES					
LB: 615	AM:	AGENCY/POLT. SUB: Dept. of Revenue			
REVIEWED BY: Lyn Heaton			DATE: 2/11/2015	PHONE: 471-4181	
COMMENTS: No basis upon which to disagree with the Department of Revenue's estimate of the dollar amount that would be needed to reimburse political subdivisions					

**LB 615** Fiscal Note 2015

State Agency Estimate							
State Agency Name: Departmen	nt of Revenue				Date Due LFA:	2/10/2015	
Approved by: Len Sloup		Date Prepared:	02/10/2015		Phone: 471-5896		
	FY 2015-2016		FY 2016-2017		FY 2017-2018		
	<b>Expenditures</b>	Revenue	Expenditures	Revenue	<b>Expenditures</b>	Revenue	
General Funds	\$ 60,600	\$0	\$ 56,800	\$(3,070,000)	\$ 59,000	\$(3,132,000)	
Cash Funds							
Federal Funds					. <u> </u>		
Other Funds							
Total Funds	\$ 60,600	\$0	\$ 56,800	\$(3,070,000)	\$ 59,000	\$(3,132,000)	

LB 615 creates a property tax exemption for all persons age 67 or over, regardless of income. This exemption would be applied to the assessed value of property that increases from either the date the taxpayer turned 67 or January 1, 2016, whichever is later. The exemption would not apply to substantial improvements to the property made after application has been made. This exemption would be in addition to the homestead exemption, if the taxpayer qualifies under the current homestead exemption program.

The estimated total reduction to the General Fund revenues would be as follows:

FY 2015-2016	\$ 0
FY 2016-2017	\$ 3,070,000
FY 2017-2018	\$ 3,132,000
FY 2018-2019	\$ 3,194,000

LB 615 would require 0.5 FTE of a Revenue Tax Specialist and 0.5 FTE of an IT Senior Application Developer. The increase in staff is required to administer the new property tax exemption program.

Major Objects of Expenditure							
		15-16	16-17	17-18	15-16	16-17	17-18
Class Code	Classification Title	FTE	<b>FTE</b>	<u>FTE</u> 0.5	Expenditures	Expenditures	Expenditures
A07012	IT Application Developer Senior	0.5	0.5	0.5	\$ 31,300	\$ 32,000	\$ 33,600
A29621	Revenue Tax Specialist	0.5	0.5	0.5	\$ 24,300	\$ 24,800	\$ 25,400
Benefits							
Operating Costs	Operating Costs.						
Capital Outlay				\$ 5,000			
Aid							
Capital Improvements.							
Total				\$ 60,600	\$ 56,800	\$ 59,000	