PREPARED BY: Doug Gibbs, Tom

Bergquist, Sandy

Sostad

DATE PREPARED: January 26, 2015 PHONE: 402-471-0051 LB 178

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 EXPENDI			REVENUE		
GENERAL FUNDS	See Below		See Below			
CASH FUNDS						
FEDERAL FUNDS						
OTHER FUNDS						
TOTAL FUNDS	See Below		See Below			

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

LB 178 changes the valuation percentage of agricultural and horticultural land for purposes of school district taxation only. Currently, agricultural and horticultural land is valued at 75% of market value for all purposes. The bill phases in a reduction of 5% per year beginning in 2016 until reaching 55% of market value in 2019 and continuing thereafter. The bill also phases in acceptable range of value and adjusted value reductions.

The percentage of valuation is as follows:

Tax Year:	Percentage:		
2016	70%		
2017	65%		
2018	60%		
2019 and after	55%		

The bill also changes the acceptable range for agricultural and horticultural land as follows:

<u>Tax Year:</u>	Acceptable Range:
2016	64% to 70%
2017	59% to 65%
2018	54% to 60%
2019 and after	49% to 55%

LB 178 changes the adjusted value used for purposes of the Tax Equity and Educational Opportunities Support Act (TEEOSA) for agricultural and horticultural land as follows:

Tax Year:	<u>Percentage:</u>		
2016	67%		
2017	62%		
2018	57%		
2019 and after	52%		

The bill has an operative January 1, 2016.

We estimate the fiscal impact to the General Fund of LB 178 as follows:

Year:	Aid Year:	Percentage of Value:	Annual Change in Aid:	Cumulative Aid Change:
2015:	2016-17	75%	\$ 0	\$ 0
2016:	2017-18	70%	\$ 11,412,431	\$ 11,412,431
2017:	2018-19	65%	\$ 13,446,537	\$ 24,858,968
2018:	2019-20	60%	\$ 15,203,704	\$ 40,062,672
2019:	2020-21	55%	\$ 16,541,835	\$ 56,604,507

The Department of Revenue noted that LB 178 could result in the county issuing two valuation change notices and two tax statements each year. One notice and statement would be for the school district, and the second notice and statement would be for all other political subdivisions in the tax district. This is because each parcel will have a different assessed valuation for the school district compared to the other political subdivisions in the tax district.

The Department of Revenue indicates minimal costs to implement LB 178.

IMPACT TO POLITICAL SUBDIVISIONS:

LB 178 will reduce the number of nonequalized school districts and increase the amount of state equalization aid, as noted above, in the TEEOSA formula.

The Nebraska Association of County Officials indicates the possibility of increased costs for county assessors if LB 178 results in a different formula for determining school land valuation, which would necessitate an increase in analysis of such property by assessors.

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES						
LB:178	AM:	AGENCY/POLT. Nebraska Association of County Officials (NACO)				
REVIEWED BY: James Van Bruggen DATE: 1/16/2015 PHONE: 471-4179						
COMMENTS: LB 178 lowers the standard valuation and the percentage of variation of agricultural lands for school district						
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taxing purposes. This bills appears to not affect other types of political subdivisions.

State Agency Estimate						
State Agency Name: Departmen	t of Revenue				Date Due LFA:	1/27/2015
Approved by: Len Sloup		Date Prepared:	1/27/2015		Phone: 471-5896	
	FY 2015	<u>5-2016</u>	FY 201	<u>6-2017</u>	FY 20	17-2018
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue
General Funds		\$ 0	ĺ	\$ 0		\$ 0
Cash Funds						
Federal Funds						
Other Funds						
Total Funds		\$ 0		\$ 0		\$ 0
	<u> </u>					

LB 178 changes the percentage of assessment of agricultural land for school district taxation purposes. It also changes the equalized value of agricultural land for calculating state aid under TEEOSA.

A percentage of assessed value for agricultural and horticultural lands is determined according to a decreasing schedule starting at 70% of assessed value for tax year 2016 to 55% of assessed value for tax years after 2018.

State aid value for agricultural, horticultural, and special valuation land is determined according to a decreasing schedule starting at 67% of assessed value for tax year 2016 to 52% of assessed value for tax years after 2018.

LB 178 may result in the county issuing two valuation change notices and two tax statements each year. One notice and statement would be for the school district, while the second notice and statement would be for all the other political subdivisions in the tax district. This is because each parcel will have a different assessed valuation for the school district compared to the other political subdivisions in the tax district.

Reductions in property tax rates may result in higher costs to TEEOSA.

This bill has an operative date of January 1, 2016.

It is estimated that this bill will have no impact on General Fund revenue.

It is estimated that there will be minimal costs to the Department to implement this bill.

Major Objects of Expenditure							
Class Code	Classification Title	15-16 <u>FTE</u>	16-17 <u>FTE</u>	17-18 <u>FTE</u>	15-16 Expenditures	16-17 Expenditures	17-18 Expenditures
Benefits	Benefits.						
Operating Costs.							
Travel							
Capital Outlay							
Aid							
Capital Improvements.							
Total							

LB ⁽¹⁾ 178			FISCAL NOTE				
State Agency OR Political Subdivision Name: (2)	Nebraska Asso	Nebraska Association of County Officials (NACO)					
Prepared by: (3) Elaine Menzel	Date Prepared: (4)	1/14/2015 Phone:	(5) 402-434-5660				
ESTIMATE PROVI	DED BY STATE AGENO	CY OR POLITICAL SUBDIVI	ISION				
<u>FY</u> EXPENDITURES	2015-16 REVENUE	<u>FY 20</u> <u>EXPENDITURES</u>	016-17 <u>REVENUE</u>				
GENERAL FUNDS							
CASH FUNDS	-						
FEDERAL FUNDS							
OTHER FUNDS	-	<u></u>					
TOTAL FUNDS							
Explanation of Estimate:							
BREAKDOV Personal Services:	WN BY MAJOR OBJECT	'S OF EXPENDITURE					
	IUMBER OF POSITIONS 15-16 16-17	S 2015-16 EXPENDITURES	2016-17 EXPENDITURES				
Benefits							
Operating							
Travel							
Capital outlay							
Aid		·					
Capital improvements							
TOTAL							

Passage of LB 178 would result in utilizing a different formula for school land valuation. This would necessitate an increase in the analysis of such property for county assessors. Additionally, the reduction in the valuation of agricultural and horticultural land would likely result in a decline in the dollars available to political subdivisions, such as counties, to levy or it would necessitate an increase in taxes on other types of property if services were to remain status quo. The fiscal impact is undetermined.