

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2017-18		FY 2018-19	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS				

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

LB 602 amends a number of sections of Nebraska Revised Statutes dealing with the valuation of agricultural and horticultural land for taxation purposes.

The bill would change how agricultural and horticultural land is valued by changing the definition of actual value to mean the capitalized net earning capacity of such land without regard to any value the land may have for other purposes.

LB 602 changes the acceptable range of valuation for agricultural and horticultural and land receiving special valuation to 92% to 100%, and for the school-adjusted value for TEEOSA purposes to 96% of actual value or special value.

The bill has an operative date of January 1, 2019.

We estimate that LB 602 will require an additional expenditure for TEEOSA in FY20-21 of between \$40 million to \$56 million.

The Department of Revenue indicates minimal costs to implement the provisions of LB 602.

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

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES			
LB: 602	AM:	AGENCY/POLT. SUB: Department of Revenue	
REVIEWED BY: James Van Bruggen		DATE: 2/22/17	PHONE: (402) 471-4179
COMMENTS: LB 602 would decrease agricultural value an estimated \$29 billion resulting in an increase in General Funds for TEEOSA.			

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES			
LB: 602	AM:	AGENCY/POLT. SUB: Nebraska Association of County Officials	
REVIEWED BY: James Van Bruggen		DATE: 1/30/17	PHONE: (402) 471-4179
COMMENTS: LB 602 would value agricultural land by productivity. The bill also changes the percentage of taxable value of agricultural. These adjustments would change the taxable valuation of agricultural land for political subdivisions.			

State Agency Estimate

State Agency Name: Department of Revenue

Date Due LFA: 2/22/2017

Approved by: Tony Fulton

Date Prepared: 2/21/2017

Phone: 471-5896

	FY 2017-2018		FY 2018-2019		FY 2019-2020	
	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>
General Funds		\$ 0		\$ 0		\$ 0
Cash Funds						
Federal Funds						
Other Funds						
Total Funds		\$ 0		\$ 0		\$ 0

LB 602 changes how agricultural land and horticultural land is valued for taxation purposes. This bill defines the actual value of agricultural land and horticultural land as the capitalized net earning capacity that the land produces for agricultural and horticultural use. It provides that any portion of land under a conservation easement or enrolled in a federal or state program removing such land from agricultural production shall continue to be valued as agricultural land and horticultural land.

There are a number of definitions included in this bill to define accretion, incidental use, animal unit, and animal unit month. It further clarifies the definition of grassland and primary use. Further, unimproved parcels of less than five acres used to produce agricultural or horticultural products will be valued as agricultural land and horticultural land.

This bill provides that the classification as agricultural land and horticultural land is based on the production season of the prior year. It excludes land used for recreation, suburban residential acreages, or farm home sites or yard plots from receiving classification as agricultural land and horticultural land. It provides for disqualification of land as agricultural land and horticultural land prior to July 1 of each year.

This bill provides a formula for determining agricultural land and horticultural land value. If land is disqualified, it provides that the assessor add to the tax on the land, the increased taxes that such land would have paid in the prior 3 years (if disqualified before levy date) or 4 years (if disqualified after levy date). Interest on such additional tax is added at a 6% rate.

This bill also changes the acceptable level of value ranges for agricultural land and horticultural land and lands receiving special valuation to 92 to 100% from 69 to 75%.

This bill adjusts the school-adjusted value for purposes of TEEOSA from 72% to 96% of actual value or special value.

This will have an effect on TEEOSA, which will have a corresponding impact on General Fund expenditures.

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

Major Objects of Expenditure								
<u>Class Code</u>	<u>Classification Title</u>	<u>17-18 FTE</u>	<u>18-19 FTE</u>	<u>19-20 FTE</u>	<u>17-18 Expenditures</u>	<u>18-19 Expenditures</u>	<u>19-20 Expenditures</u>	
	Benefits.....							
	Operating Costs.....							
	Capital Outlay.....							
	Aid.....							
	Capital Improvements.....							
	Total.....							

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2017

LB⁽¹⁾ 602

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Nebraska Association of County Officials (NACO)

Prepared by: ⁽³⁾ Elaine Menzel Date Prepared: ⁽⁴⁾ 1/24/2017 Phone: ⁽⁵⁾ 402.434.5660

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2017-18</u>		<u>FY 2018-19</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 602 would value agricultural and horticultural land by using productivity. This legislation would set the capitalized net income (CAP) rate at 6 percent.

With a set CAP rate of 6 percent, it would likely reduce the valuation of all agricultural and horticultural land and therefore reduce the tax base of all political subdivisions. Additionally, land which is not classified as agricultural and horticultural land at this time would be included for purposes of the lower valuation which would reduce the tax base.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2017-18</u>	<u>2018-19</u>
	<u>17-18</u>	<u>18-19</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____