

PREPARED BY: Doug Gibbs & Tom Bergquist
 DATE PREPARED: March 08, 2017
 PHONE: 402-471-0051

LB 599

Revision: 00

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	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 599 amends Nebraska Revised Statutes Section 77-202, regarding the exemption of business and agricultural inventory from the personal property tax.

Section 77-202 is amended to add “Improvements on land of infrastructure, redevelopment, or new construction intended for business or housing purposes . . . until occupied, sold, or leased “to the definition of business inventory. At this time, these kinds of improvements are defined as real property.

Total real property growth value in Nebraska was approximately \$2.2 billion in 2015 (the latest year for which we have figures). Real property growth value is the amount of value attributable to new construction, additions to existing buildings, and any improvements to real property which increases the value of such property; this would now be considered business inventory under the provisions of LB 599.

The reduction in valuation would result in an increase in TEEOSA expenditures of \$14 million to \$17 million annually.

The Department of Revenue estimates no cost to the Department to implement the provisions of LB 599.

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

IMPACT TO POLITICAL SUBDIVISIONS:

The Nebraska Association of County Officials (NACO) estimates a decrease in the tax base for the period in which the property is considered business inventory and until it is occupied, sold, or leased.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES			
LB: 599	AM:	AGENCY/POLT. SUB: Department of Revenue	
REVIEWED BY: James Van Bruggen		DATE: 3/8/17	PHONE: (402) 471-4179
COMMENTS: The bill would slow increases to the taxable values from improvements to land for all local subdivisions. The bill would also slow increases to the calculated local effort of school districts within the TEEOSA formula. This would cause an increase in equalization aid.			

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES			
LB: 599	AM:	AGENCY/POLT. SUB: Nebraska Association of County Officials (NACO)	
REVIEWED BY: James Van Bruggen		DATE: 1/25/17	PHONE: (402) 471-4179
COMMENTS: Increases to property values would not occur until a property is occupied, sold, or leased.			

State Agency Estimate

State Agency Name: Department of Revenue

Date Due LFA: 3/7/2017

Approved by: Tony Fulton

Date Prepared: 3/3/2017

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 599 amends Neb. Rev. Stat. § 77-202 to exempt from personal property tax the improvements on land of infrastructure, redevelopment, or new construction intended for business or housing purposes by defining these improvements as business inventory until occupied, sold, or leased. Currently improvements are defined as real property in Neb. Rev. Stat. § 77-103.

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

It is estimated that there will be no cost 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.....							
Travel.....							
Capital Outlay.....							
Aid.....							
Capital Improvements.....							
Total.....							

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

2017

LB⁽¹⁾ 599

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:

Pursuant to LB 599, improvements on land of infrastructure, redevelopment, or new construction intended for business or housing shall be considered business inventory until occupied, sold, or leased.

The tax base would decrease for the period of until such property is occupied, sold or leased.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

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