

FISCAL NOTE
 LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2019-20		FY 2020-21	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$238,055			
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$238,055			

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

LB 182 adopts the School District Local Option Income Surtax Act. The bill allows school boards to impose a local option income tax surtax rate of up to 20% which cannot exceed five years in duration. A school board can place the surtax on the ballot by passing a resolution, and the surtax can be imposed if approved by a majority of affirmative votes in a school district at an election.

The surtax is imposed on individuals living in the school district and collected by the Tax Commissioner when individuals file their state income tax returns. The surtax is equal to the individual's state income tax liability, less nonrefundable credits, multiplied by the rate determined by the school board. The Tax Commissioner must determine the total surtax owed to each school district and distribute it prior to July 1 each year. School districts must notify the Tax Commissioner by August 1 of the surtax rate for the following year. A school district can rescind or modify its surtax if approved by a majority of voters.

The tax revenue can be used to reduce property taxes or for building construction, remodeling, and site acquisition. Tax revenue to reduce property taxes will be distributed to the school district's general fund. If the purpose is building construction, remodeling, or site acquisition, the revenue will be distributed in the district's special building fund. The imposition of a surtax does not increase the budget authority for a school district.

The Department of Revenue can adopt and promulgate rules and regulations to carry out the act.

The Department of Education estimates no fiscal impact to the agency and minimal fiscal impact to school districts because surtax revenue would replace property tax revenue.

The fiscal impact to individual school districts will vary depending on whether they choose to implement the surtax, at what rate, and for what purpose. It is not possible to determine what decisions will be made at the local level pursuant to the bill. If districts impose a surtax for building and site needs, there will be increased expenditures for these purposes, which could offset expenditures that would have been made from other sources of revenue.

The extent to which a 20% surtax would offset property taxes depends on the income tax liability of the residents and the property taxes levied for school purposes. The maximum 20% surtax statewide would lower school district property taxes by 16.8%, but the largest impact for a school district would be a 38.4% reduction and the smallest impact for a school district would be a 1.8% reduction in property taxes.

The Department of Revenue estimates a one-time programming charge of \$238,055 to OCIO for mainframe development cost to add a line to the 1040N, to add a line to the 941N, and for web development costs for adding the corresponding line to the NebFile filing system. The Department also estimates the agency will require 0.5 FTE Revenue Operations Clerk II to implement the bill. However, the Legislative Fiscal Office disagrees that additional staff is necessary to perform the required functions of the bill.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 182	AM:	AGENCY/POLT. SUB: Department of Revenue
REVIEWED BY: Lee Will	DATE: 2/11/2019	PHONE: (402) 471-4175
COMMENTS: Concur with the Department of Revenue's assessment of fiscal impact.		

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 182	AM:	AGENCY/POLT. SUB: Department of Education
REVIEWED BY: Lee Will	DATE: 1/23/2019	PHONE: (402) 471-4175
COMMENTS: Concur with the Department of Education's assessment of fiscal impact.		
This also would potentially cause a "tax shift" with schools relying on income taxes versus property taxes to fund their operations and infrastructure investment.		

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2019

LB⁽¹⁾ 182 Revised

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Department of Education

Prepared by: ⁽³⁾ Bryce Wilson Date Prepared: ⁽⁴⁾ 1/15/19 Phone: ⁽⁵⁾ 402-471-4320

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2019-20</u>		<u>FY 2020-21</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 182 Creates the Local Option Income Surtax Act. The surtax act allows schools, with a majority vote of the districts registered voters, to pass a surtax up to twenty percent of each individual’s income tax liability minus nonrefundable credits for up to a maximum of five years. The surtax can be used for property tax relief or building construction, remodeling and site acquisitions. Proceeds from the surtax go to the General Fund if the proceeds are being used for property tax relief and to the special building fund if being used for building construction, remodeling or site acquisitions.

There would be no fiscal impact to the Department of Education. Schools would essentially have minimal fiscal impact as well as the surtax would replace property taxes.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2019-20</u>	<u>2020-21</u>
	<u>19-20</u>	<u>20-21</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____