

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2020-21		FY 2021-22	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$1,083,797	\$187,947,000	\$558,010,318	\$171,506,000
CASH FUNDS		\$8,926,000		\$11,615,000
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$1,083,797	\$196,873,000	\$558,010,318	\$183,121,000

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

LB 1213 amends numerous provisions related to revenue and taxation, adopts the Property Tax Request Act, and adopts the New School Aid Act.

Valuation: LB 1213 changes valuation of real property beginning in tax year 2021 to 90% of its actual value. For agricultural and horticultural property, and for property receiving special valuation, LB 1213 lowers valuation beginning in tax year 2021 from 75% to 65% of its actual value. The acceptable ranges for property beginning in tax year 2021 are amended for purposes of the Tax Equalization and Review Commission Act. For agricultural and horticultural property and property receiving special valuation, the acceptable range is 59-65%, and for all other property, the acceptable range is 82-90%.

The reduction in real property value in LB 1213 results in an 11% decrease in the tax base for local political subdivisions statewide. Local political subdivisions will have to increase their levy 11% in order to raise the same amount of property tax revenue. For those political subdivisions that are within this percentage of the applicable levy limit, they will see a reduction in resources available as compared to the current level. The amount of resources lost varies by political subdivision depending upon type of property and the extent to which the political subdivision can increase its levy.

LB 1213 adopts the New School Aid Act, which increases state aid to schools by over \$550 million per year as compared to total state equalization aid under the current TEEOSA formula, reimbursing school districts for resources lost due to the reduction in valuation.

Property Tax Request Act: LB 1213 requires political subdivisions (counties, cities, villages, school districts, learning communities, sanitary and improvement districts, natural resources districts, educational service units, and community colleges) to comply with certain notice and hearing requirements prior to setting its property tax request at an amount that exceeds its property tax request for the prior year, accounting for allowable growth. The act requires any resolution or ordinance setting the political subdivision's property tax request to include certain information.

There could be some costs to political subdivisions based upon the notice and hearing requirements in the bill. Additional estimated costs include per diems, mileage, advertising, and other administrative expenses.

Inheritance Tax: LB 1213 eliminates the inheritance tax for property passing from a decedent to a father, mother, grandfather, grandmother, brother, sister, son, daughter, child or children legally adopted. The current rate is 1% of market value of property in excess of \$40,000.

The statewide average of total inheritance taxes collected from FY14 until FY18 is just over \$68.3 million per year. Based on estimates provided by the Nebraska Association of County Officials, if 43.77% of inheritance taxes are collected from descendants affected by this provision, the statewide reduction in inheritance tax could be approximately \$27.88 million per year, distributed amongst the counties where the tax is collected.

Sales Tax: LB 1213 lowers the sales tax rate to 5%, beginning July 1, 2020, except that the rate on food and food ingredients is 3%.

The bill also imposes sales tax on veterinary services; specialty services on livestock; animal grooming services performed with medical treatment; motor vehicle repair and maintenance services; laundry and dry cleaning services, excluding coin-operated laundry; carpentry services; painting services; plumbing services; custom meat slaughtering, cutting and wrapping services; limousine, taxi, and transportation services; repair or remodeling real property; lawn care and landscaping; oil field services; packing and crating services;

telephone answering services; beauty and personal care services; providing chartered flights; grading and excavating services; dating services; employment agency services; fishing and hunting guide services; storage services; interior design and decorating services; investment counseling services; parking services; laboratory services, excluding medical testing; moving services; telefloral delivery; food and food ingredients, except WIC eligible food; railroad rolling stock; telecommunications service between telecommunications companies; newspapers; agricultural machinery and equipment; purchases by historic automobile museums; membership or admission or purchases by a zoo or aquarium; and mechanical amusement devices subject to mechanical amusement device occupation tax.

Neb. Rev. Stat. sec. 77-27,132 is also amended to provide that amount credited to the Highway Allocation Fund is the sales tax in excess of 4.5%.

The Department of Revenue estimates revenue to the General Fund, the Highway Cash Fund, the Highway Allocation Fund, and the State Highway Capital Improvement Fund due to the sales tax provisions of the bill as follows:

Fiscal Year	General Fund Revenues	Highway Cash Fund	Highway Allocation Fund	State Highway Capital Improvement Fund	Total
2020-2021	\$237,970,000	(\$10,250,000)	(\$5,586,000)	\$19,176,000	\$241,310,000
2021-2022	\$294,313,000	(\$12,608,000)	(\$6,758,000)	\$24,223,000	\$299,170,000
2022-2023	\$313,554,000	(\$12,923,000)	(\$6,803,000)	\$25,525,000	\$319,353,000
2023-2024	\$332,669,000	(\$13,236,000)	(\$6,861,000)	\$26,764,000	\$339,336,000

There is no basis to disagree with these estimates.

Income Tax: LB 1213 lowers the tax rate for individual income tax for each of the four income brackets by 0.2%, beginning with tax years beginning on or after January 1, 2021.

The Department of Revenue estimates revenue to the General Fund due to this provision as follows:

Fiscal Year	General Fund Revenue
FY 20-21	(\$50,023,000)
FY 21-22	(\$122,807,000)
FY 22-23	(\$129,562,000)
FY 23-24	(\$136,688,000)

There is no basis to disagree with these estimates.

New School Aid Act: The bill terminates the Tax Equity and Educational Opportunities Support Act on July 1, 2021, and adopts the New School Aid Act (NSAA) which applies beginning with school fiscal year 21-22.

The NSAA requires general fund aid and infrastructure aid distributed to schools in 10 equal payments, distributed monthly from September to June.

General fund aid for each district equals (1) the sum of foundation aid, poverty grants, English learner grants, student growth grants, and administration sharing incentive; and (2) minus any spending adjustment. LB 1213 provides for how each component is calculated. The Nebraska Department of Education (NDE) estimates total statewide general fund aid in FY 21-22 is \$1,585,000,000. By component, general fund aid is as follows:

- Foundation aid = \$1,445,000,000
- Poverty grant = \$138,000,000
- English learner grant = \$10,000,000
- Student growth grant = indeterminate
- Administration sharing incentive = \$50,000
- Spending adjustment = (\$8,000,000)

NDE notes in its response that the student growth grant amount was eliminated from the model because the formula in section 29 of the bill resulted in negative amounts for all districts.

Infrastructure aid equals the income tax liability of resident individuals for each district multiplied by a percentage. NDE estimates infrastructure aid to be \$49,000,000 in FY 21-22.

The estimated General Fund expenditure for TEEOSA aid in FY 21-22 is \$1,076,766,482. Based upon NDE's estimate for FY 21-22 for expenditures under the NSAA of \$1,634,000,000, the increase to the General Fund for state aid to education pursuant to LB 1213 is \$557,233,518.

There is no basis to disagree with NDE's estimates of expenditures regarding the NSAA.

Operative Date: LB 1213 is operative July 1, 2020, and contains the emergency clause.

Administration: NDE does not estimate any additional administrative expenses.

The Department of Revenue estimates the need for additional staff due to the expansion of the sales tax, including: 3.5 FTE Auditors, 1.0 FTE Fiscal Compliance Analyst, 1.0 FTE Revenue Tax Specialist, 1.0 Attorney III, 4.0 Revenue Agent for two years and 3.0 FTE thereafter, 0.5 FTE Revenue Agent Senior, 1.0 FTE Office Clerk III, 0.5 FTE Tax Specialist Senior, and 3 temporary employees. In addition, the department estimates a one-time charge of \$154,430 to OCIO for mainframe and web development changes and adding lines to forms in FY 20-21.

Total costs are \$1,083,797 in FY 20-21 and \$776,800 in FY 21-22.

There is no basis to disagree with these estimates.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB: 1213	AM:	AGENCY/POLT. SUB: City of Lincoln	
REVIEWED BY: Lee Will		DATE: 02/24/2020	PHONE: (402) 471-4175
COMMENTS: No basis to disagree with the City of Lincoln's assessment of fiscal impact.			

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB: 1213	AM:	AGENCY/POLT. SUB: Lancaster County	
REVIEWED BY: Lee Will		DATE: 02/24/2020	PHONE: (402) 471-4175
COMMENTS: No basis to disagree with Lancaster County's assessment of revenue loss from reductions in property tax asking and inheritance tax.			

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB: 1213	AM:	AGENCY/POLT. SUB: Nebraska Association of County Officials (NACO)	
REVIEWED BY: Lee Will		DATE: 02/24/2020	PHONE: (402) 471-4175
COMMENTS: No basis to disagree with NACO's assessment of revenue loss to counties from reductions in property tax asking and inheritance tax collections.			

State Agency Estimate

State Agency Name: Department of Revenue				Date Due LFA:			
Approved by: Tony Fulton				Date Prepared:			
				Phone: 471-5896			
	FY 2020-2021		FY 2021-2022		FY 2022-2023		
	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>	
General Funds	\$1,083,797	\$187,947,000	\$776,800	\$171,506,000	\$743,300	\$183,992,000	
Cash Funds		\$8,926,000		\$11,615,000		\$12,602,000	
Federal Funds							
Other Funds		\$(5,586,000)		\$(6,758,000)		\$(6,803,000)	
Total Funds	\$1,083,797	\$191,287,000	\$776,800	\$176,363,000	\$743,300	\$189,791,000	

LB 1213 amends a number of statutes related to property tax, income tax, and sales tax:

Property Tax:

LB 1213 terminates the Tax Equity and Educational Opportunities Support Act (TEOSA) under Neb. Rev. Stat. §§ 79-1001 to 79-1033 on July 1, 2021; and adopts the New School Aid Act which will apply beginning with school fiscal year 2021-2022. The New School Aid Act will be administered by the State Department of Education, and outlines the statutory methods of, and definitions used in, calculating the amount of foundation aid, spending adjustments, student growth grants, poverty grants, an English learner grant, administration sharing incentive for each school district that shares a superintendent, general fund aid amount and the infrastructure aid for each school districts fiscal year.

Under Section 34, on or before November 15, 2020 and on or before each November 15 thereafter, the Tax Commissioner must certify for the preceding tax year the income tax liability of resident individuals for each school district. The State Department of Education will use the Nebraska income tax liability to calculate infrastructure aid.

Section 2 amends Neb. Rev. Stat. § 77-201 to provide that, beginning in tax year 2021 and each tax year thereafter, agricultural and horticultural land and agricultural and horticultural land receiving special valuation is valued at 65% of its actual value or special valuation and all other real property is valued at 90% of its actual value.

Section 4 amends Neb. Rev. Stat. § 77-1391 to value historically significant real property based on its assessed value, not actual value, for the four years following the expiration of the eight-year period following the final certificate of rehabilitation.

Section 5 and 11 harmonize current Neb. Rev. Stat. §§ 77-1601 and 77-1776 with the Property Tax Request Act (Act).

Section 6 establishes the Act.

Section 7 defines the following for purposes of the Act:

1. Allowable growth as the growth in the total assessed value of property from the prior assessment year to the current assessment year resulting from (a) the annexation of property to a political subdivision or (b) the development of property in the political subdivision;
2. Political subdivision as any county, city, village, school district, learning community, sanitary and improvement district, natural resources district, educational service unit, or community college; and
3. Property tax request as the total amount of property taxes requested to be raised for a political subdivision through the levy imposed pursuant to Neb. Rev. Stat. § 77-601.23 imposed pursuant to Neb. Rev. Stat. § 77-1601.

Section 8 amends Neb. Rev. Stat. § 77-1601.02 to exclude allowable growth from the annual assessment of property when determining whether there is an increase, or a decrease in the total property taxes levied for purposes of determining when a political subdivision must hold a hearing under the Act.

Section 9 provides that a political subdivision may set its property tax request at an amount greater than the property tax request from the prior year if it holds a public hearing, provides notice of such hearing, and passes a resolution or ordinance in accordance with the Act.

Under the Act, the public hearing must be held at a meeting where the only items on the agenda for discussion will be: (i) discussion and action on the political subdivisions intent to approve a tax request that exceeds the property tax request from the prior year, and (ii) the political subdivisions budget. Interested parties at the public hearing are to be allowed to make public comment within reasonable time limits and with no unreasonable restriction on the number of individuals allowed to make public comment. The political subdivision cannot schedule the public hearing at the same time as a public hearing of another political subdivision in the same county. The political subdivision must hold the public hearing at or after 6 p.m.

The notice of the hearing must comply with specific requirements that are provided in the Act. The notice must be published in a newspaper or combination of newspapers of general circulation in the political subdivision. The notice must:

1. Be no less than one-fourth page in size;
2. Use type no smaller than eighteen point;
3. Be surrounded by a one-fourth inch border;
4. Be published once each week for the two weeks before the political subdivision conducts the public hearing; and
5. State that the political subdivision will meet on a certain day, time, and place fixed in the notice, which is to be seven or more days after the day of the first publication, for the purpose of hearing comments regarding the proposed increase in the property tax request over the amount from the prior year.

The notice is not to be placed in that portion of the newspaper with legal notices and classified advertisements. The notice is to be in a newspaper that is published at least one day per week. The form and content of the notice are also spelled out in the Act.

Any resolution or ordinance setting a political subdivisions property tax request at an amount that exceeds the property tax request ask from the prior year must include:

1. The name of the political subdivision;
2. The amount of the property tax request;
3. The following specific statements:
 - a. The percentage difference of the assessed value from the prior year;
 - b. The result of the tax rate which would levy the same amount of property taxes from the prior year when multiplied by the new total assessed value of property per \$100 of assessed value;
 - c. What the political subdivision proposes to adopt for a specific tax rate per \$100 of assessed value; and
 - d. The percentage the total operating budget will exceed the prior year's operating budget; and.
4. The record vote of the governing body passing the resolution or ordinance.

Any resolution or ordinance setting a property tax request under the Act is to be certified and forwarded to the county clerk on or before October 13 of the year for which the tax request is to apply.

Section 10 provides that any levy not in compliance with the Act is considered as an unauthorized levy under Neb. Rev. Stat. § 77-1606.

Section 23 amends Neb. Rev. Stat. § 77-5023 to reduce the acceptable range of agricultural and horticultural land, and agricultural and horticultural land receiving special valuation for tax year 2021 and each year thereafter from between 69% to 75% to between 59% to 65% of actual value or special valuation. For tax year 2021 and each tax year thereafter, the acceptable range for all other real property will be reduced from between 92% to 100% to between 82% to 90% of actual value.

Section 24 terminates TEEOSA, including Neb. Rev. Stat. § 79-1016, on July 1, 2021.

Sections 25 to 35 create the New School Aid Act and pertains to the Department of Education.

The New School Act will have an unknown impact on state aid to school, which may have a corresponding impact on General Fund expenditures.

Inheritance Tax

Section 12 amends Neb. Rev. Stat. § 77-2004 to change the inheritance tax rate to 0% for property that passes from a decedent dying on or after July 1, 2020 to a lineal descendent. Currently, a rate of 1% applies to such property that has a market value in excess of \$40,000 passing from a decedent to a lineal descendent.

Income Tax:

LB 1213 amends Neb. Rev. Stat. § 77-2715.03 to reduce the Nebraska individual income tax rates for taxable years beginning on or after January 1, 2021 as follows:

Bracket Number	Current Tax Rate	Proposed Tax Rate
1	2.46%	2.26%
2	3.51%	3.31%
3	5.01%	4.81%
4	6.84%	6.64%

It is estimated that changing the income tax rate will have the following reduction to the General Fund revenues:

Fiscal Year	Reduction to General Fund Revenues
FY 2020-21	\$ 50,023,000
FY 2021-22	\$ 122,807,000
FY 2022-23	\$ 129,562,000
FY 2023-24	\$ 136,688,000

Sales and Use Tax:

LB 1213 amends Neb. Rev. Stat. § 77-2701.02 to provide that the 5.5% sales and use tax rate on taxes levied under § 77-2703 will apply until July 1, 2020. Beginning July 1, 2020, the sales and use tax rate for taxes levied

under § 77-2703 will be 5% except that a 3% rate will apply to purchases of food and food ingredients as defined in Neb. Rev. Stat. § 77-2704.10.

LB 1213 amends Neb. Rev. Stat. § 77-2704.24 to eliminate the exemption from sales and use taxes on food and food ingredients and also eliminates the explicit imposition of sales and use taxes on prepared food and food sold through vending machines. The exemptions under Neb. Rev. Stat. § 77-2704.10 are unchanged. The definitions in Neb. Rev. Stat. § 77-2704.24 will be moved to Neb. Rev. Stat. § 77-2704.10, and include the definitions of alcoholic beverages, dietary supplements, food and food ingredients, prepared food, and tobacco. The amendments eliminate the definition of food sold through vending machines. The amendments to Neb. Rev. Stat. § 77-2704.24 create an exemption from sales and use taxes on purchases of WIC-eligible food, defined as food that is eligible to be purchased under the Special Supplemental Nutrition Program for women, infants, and children.

LB 1213 amends Neb. Rev. Stat. § 77-2701.16(4) to impose sales and use taxes on additional services. Under LB 1213, Neb. Rev. Stat. § 77-2701.16(4)(g) will impose sales and use taxes on animal specialty services that include veterinary services, specialty services performed on livestock as defined in Neb. Rev. Stat. § 54-183, and animal grooming services performed in conjunction with medical treatment by a licensed veterinarian or licensed veterinary technician. The amendments will impose sales and use taxes on the gross income received from the following additional services:

- Laundry and dry cleaning services, excluding self-service coin-operated washing machines and dryers;
- Carpentry services;
- Painting services;
- Plumbing services;
- Custom meat slaughtering, cutting, and wrapping services;
- Limousine, taxi, and other transportation services;
- Repair or remodeling of real property;
- Lawn care and landscaping services;
- Oil field services;
- Packing and crating services;
- Telephone answering services;
- Beauty and personal care services, including but not limited to, hair care, nail care, skin care, hair removal, and massage services;
- Providing chartered flights;
- Grading and excavating services;
- Dating services;
- Employment agency services;
- Fishing and hunting guide services;
- Storage services;
- Interior design and decorating services;
- Investment counseling services;
- Parking services provided for motor vehicles;
- Laboratory testing services, excluding medical testing services;
- Moving services;
- Tele floral delivery services; and
- Pet care services

LB 1213 amends Neb. Rev. Stat. § 77-2701.16(4) to eliminate the exclusion of motor vehicle maintenance and repair labor from the imposition of sales and use taxes on gross income received for repair and maintenance labor services on tangible personal property the sale of which would be subject to sales and use taxes.

LB 1213 eliminates the following exemptions from sales and use taxes on:

- Newspapers as defined in Neb. Rev. Stat. § 77-2704.07;
- Depreciable agricultural machinery and equipment purchased, leased, or rented on or after January 1, 1993 for use in commercial agriculture under Neb. Rev. Stat. § 77-2704.36. The amendments harmonize Neb. Rev. Stat. § 2-2701(2) to eliminate the eligibility requirements for obtaining an exemption for purchases of current tractor models.
- Railroad rolling stock owned by a railroad or by any person under Neb. Rev. Stat. § 77-2704.27; on materials, replacement parts, and labor used as or directly in repair, maintenance or manufacture of railroad rolling stock whether owned by a railroad, by any person, or as a contract carrier or otherwise under Neb. Rev. Stat. § 77-2704.50; and the use tax exemption on materials and replacement parts acquired outside of and moved into Nebraska for use directly in the repair, installation or application and maintenance or manufacture of railroad rolling stock whether owned by a railroad, by any person, or a comment contact carrier or otherwise under Neb. Rev. Stat. § 77-2704.30;
- Telecommunications service between telecommunication companies, including division of revenue, settlements, or carrier access charges under Neb. Rev. Stat. § 77-2704.51;
- Certain purchases by any historic automobile museums under Neb. Rev. Stat. § 77-2704.65; and
- Memberships or admissions or any purchase by a nationally accredited zoo or aquarium operated by a public agency or nonprofit organization primarily for education, scientific, or tourism purposes under Neb. Rev. Stat. § 77-2704.67.

LB 1213 amends Neb. Rev. Stat. § 77-3005 to eliminate the exemption from sales tax which would or could otherwise be imposed on any mechanical amusement device provided that the payment of the occupation tax levied by the Mechanical Amusement Device Tax Act and the license fees due and owning occurs on or before the licensing date each year.

LB 1213 amends Neb. Rev. Stat. § 77-382 exclude from the estimates of lost revenue from the above additional services that will now be subject to sales and use taxes under LB 1213, and from the eliminated exemptions under LB 1213 from the tax expenditure report required to be prepared by the Tax Commissioner.

LB 1213 amends Neb. Rev. Stat. § 77-27,132 to change the amount credited to the Highway Allocation Fund from the amount that is in excess of 5% to the amount that is in excess of 4.5% derived from the sale or lease for periods of more than 31 days of motor vehicles, trailers, and semitrailers.

It is estimated that extending the sales tax base to certain services, repealing certain sales tax exemptions, adding exemptions to certain sales, and reducing the sales tax rate from 5.5% to 5% will have the following impact on the General Fund and various funds revenues:

Fiscal Year	General Fund Revenues	Highway Cash Fund	Highway Allocation Fund	State Highway Capital Improvement Fund	Total
2020-2021	\$ 237,970,000	\$ (10,250,000)	\$ (5,586,000)	\$ 19,176,000	\$ 241,310,000
2021-2022	\$ 294,313,000	\$ (12,608,000)	\$ (6,758,000)	\$ 24,223,000	\$ 299,170,000
2022-2023	\$ 313,554,000	\$ (12,923,000)	\$ (6,803,000)	\$ 25,525,000	\$ 319,353,000
2023-2024	\$ 332,669,000	\$ (13,236,000)	\$ (6,861,000)	\$ 26,764,000	\$ 339,336,000

The Department of Revenue (DOR) will need the following increase in personnel and OCIO costs to implement LB 1213. DOR will need 3.5 FTE Auditors, 1.0 FTE Fiscal Compliance Analyst, 1.0 FTE Revenue Tax Specialist, 1.0 Attorney III, 4.0 FTE Revenue Agent in the first two years, reduced to 3.0 FTE in third year and beyond, 0.5 FTE Revenue Agent Senior, 1.0 FTE Office Clerk III, 0.5 FTE Tax Specialist Senior. In addition to the permanent FTEs, DOR will also need one SOS Revenue Operation Clerk II for four months and two SOS Temp Office Clerk III for six weeks.

In addition to personnel, it is estimated that LB 1213 will require a one-time programming charge of \$154,430 paid to the OCIO for mainframe and web development and adding lines to forms. This bill will also require 480 hours for an IT Application Developer/Lead to update the PAD programs which will be contract with the OCIO.

This bill contains an emergency clause and becomes law upon enactment.

Major Objects of Expenditure								
Class Code	Classification Title	20-21	21-22	22-23	20-21	21-22	22-23	
		FTE	FTE	FTE	Expenditures	Expenditures	Expenditures	
A29621	Revenue Tax Specialist	1.0	1.0	1.0	\$54,900	\$54,100	\$55,300	
G31113	Attorney III	1.0	1.0	1.0	\$72,200	\$71,200	\$72,800	
A21212	Auditor	3.5	3.5	3.5	\$157,200	\$154,900	\$158,400	
A21211	Fiscal Compliance Analyst	1.0	1.0	1.0	\$41,800	\$41,200	\$42,100	
X29222	Revenue Agent	4.0	4.0	3.0	\$153,000	\$150,700	\$115,600	
R01113	Office Clerk III	1.0	1.0	1.0	\$27,000	\$26,600	\$27,200	
X29223	Revenue Agent Senior	0.5	0.5	0.5	\$22,100	\$21,800	\$22,300	
R29112	Revenue Operations Clerk II	1.0	1.0	1.0	\$32,900	\$32,400	\$33,200	
A29622	Revenue Tax Specialist Senior	0.5	0.5	0.5	\$31,700	\$31,200	\$32,000	
Benefits.....					\$195,700	\$192,700	\$184,400	
Operating Costs.....					\$220,297			
Travel.....								
Capital Outlay.....					\$75,000	\$0	\$0	
Capital Improvements.....								
Total.....					\$1,083,797	\$776,800	\$743,300	

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2020

LB⁽¹⁾ 1213 REVISED

FISCAL NOTE

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

Prepared by: ⁽³⁾ Bryce Wilson/Kevin Lyons Date Prepared: ⁽⁴⁾ 2/24/20 Phone: ⁽⁵⁾ 402-471-4320

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	FY 2020-21		FY 2021-22	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS			1,634,000,000	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS			1,634,000,000	

Explanation of Estimate:

LB 1213 changes many taxing provisions including eliminating sales and use tax exemptions on many services and food purchases. The increased sales tax base revenue is offset by reducing the sales tax rate from 5.5% to 5%. Income tax rates are also reduced by .20% for each tax bracket.

This bill attempts to provide property tax relief by lowering the taxable value of real property to 90% of actual value. Additionally, agricultural and horticultural land tax values are reduced from 75% to 65% starting with tax year 2021. Estate taxes are also reduced in this bill.

The New School Act creates a new funding formula that includes the following; foundation aid, sparsity factor, spending adjustment, student growth grant, poverty grant, LEP grant, administration sharing incentive and general fund aid for infrastructure.

Additionally, LB1213 requires the budget hearing to be separate from any regularly scheduled meeting and requires the hearing to be at a different time from any other political subdivision public hearing in the county. This bill also requires the governing body to allow anyone desiring to speak on the proposed budget a reasonable amount of time to do so. LB 1213 adds some specific requirements to how the public notice should be made available to the public including having the public notice appear at least once in two separate weeks in a newspaper of general circulation.

NDE had to eliminate the Student Growth Grant from the model of LB 1213 as the current formula in the bill resulted in negative amounts for all districts.

The total General Fund Aid was \$1,585,000,000.

- Foundation Aid = \$1.445 billion
- Poverty Grant = \$138 Million
- English Learner = \$10 Million
- Student Growth = Unable to Determine
- Superintendent Sharing = \$50,000
- Spending Adjustment = (\$8) Million
- The infrastructure aid = \$49 Million

This fiscal note only reflects the cost of the New School Aid and does not reflect the changes in revenue from tax changes or the elimination of the current amount of TEEOSA aid.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2020-21</u>	<u>2021-22</u>
	<u>20-21</u>	<u>21-22</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Benefits.....				
Operating.....				
Travel.....				
Capital outlay.....				
Aid.....				1,634,000,000
Capital improvements.....				
TOTAL.....				1,634,000,000

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2020

LB⁽¹⁾ 1213

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ City of Lincoln

Prepared by: ⁽³⁾ James Van Bruggen Date Prepared: ⁽⁴⁾ 1/29/20 Phone: ⁽⁵⁾ 402-441-8301

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2020-21</u>		<u>FY 2021-22</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:

The fiscal impact of property tax valuation changes, publication requirements, and special meeting requirements would be an estimated \$7 million to \$8 million. The fiscal impact due to previously nontaxed services is difficult to quantify because the State of Nebraska views geographical sector specific sales and use taxes to be confidential information.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2020-21 EXPENDITURES</u>	<u>2021-22 EXPENDITURES</u>
	<u>20-21</u>	<u>21-22</u>		
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	=====	=====	=====	=====

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

2020

LB⁽¹⁾ 1213

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Lancaster County

Prepared by: ⁽³⁾ Dennis Meyer Date Prepared: ⁽⁴⁾ 1-30-20 Phone: ⁽⁵⁾ 402-441-6869

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2020-21</u>		<u>FY 2021-22</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:

A 10% reduction in valuation base could cause an \$8 million reduction in property tax asking for Lancaster County. Lancaster County levied \$80,276,884 in FY19-20 and keeping the same levy would cause the reduction.

Lancaster County would see a reduction in inheritance tax with the change from 1% to zero. Estimating the amount of reduction is not an easy task. Inheritance tax is a number that fluctuates on an annual basis. Any loss in inheritance tax puts more pressure on the property tax.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2020-21</u>	<u>2021-22</u>
	<u>20-21</u>	<u>21-22</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____

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

2020

LB⁽¹⁾ 1213

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Lancaster County Treasurer

Prepared by: ⁽³⁾ Rachel Garver Date Prepared: ⁽⁴⁾ 1/29/19 Phone: ⁽⁵⁾ (402) 441-7499

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	FY 2020-21		FY 2021-22	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS				

Explanation of Estimate:

No Fiscal Impact

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

POSITION TITLE	NUMBER OF POSITIONS		2020-21	2021-22
	20-21	21-22	EXPENDITURES	EXPENDITURES
Benefits.....				
Operating.....				
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
TOTAL.....				

No Fiscal Impact

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

2020

LB⁽¹⁾ 1213

FISCAL NOTE

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

Prepared by: ⁽³⁾ Elaine Menzel Date Prepared: ⁽⁴⁾ 1/28/2020 Phone: ⁽⁵⁾ 402.434.5660

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2020-21</u>		<u>FY 2021-22</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	<u>(30,838,518)</u>	_____	<u>(30,838,518)</u>
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	<u>_____</u>	<u>(30,838,518)</u>	<u>_____</u>	<u>(30,838,518)</u>

Explanation of Estimate:

Section 2 – The bill reduces the taxable value of all real property that is not agricultural land or horticultural land to 90% of its actual value, and reduces the taxable value of all agricultural land and horticultural land to 65% of its actual value. For counties, this reduction in the tax base will lead to a rise in the levy rate in order to maintain the same property tax request as the prior year. However, at least one county will be over the constitutionally mandated maximum county levy rate of 50 cents. Nine counties would cross over the 40-cent-levy threshold.

Sections 6 through 10 - Property Tax Request Act that would potentially require additional costs to be incurred by counties to implement some of the provisions. Those items are, among other things:

- Requires a public hearing:
 - if a political subdivision intends to exceed its property tax request from the prior year; to have no agenda items besides the request and the budget; to allow oral testimony within reasonable time limits and reasonable restrictions on the number of testifiers; not be at the same time as any other public hearing; to be conducted after 6 p.m. (potentially requiring overtime of staff members).
- Requires notice of the hearing to be published in a newspaper:
 - be one fourth of a page; No less than 18-point type; Have a ¼" border; Run once a week for 2 weeks; State time and day of hearing; Not be published in the legal or classified section
- The notice must also be published on the county's website.

Section 12 - Based on a survey of eleven counties in 2013, 43.77 percent of the taxes paid for inheritance tax were paid by Class 1 descendants. Section 12 of LB 1213 would eliminate the inheritance tax assessed on Class 1 descendants after July 1, 2020. From fiscal year to fiscal year, the totals of inheritance taxes collected vary dependent upon the number of descendants, the size of the estates and the designated descendants. In FY 2017/2018, counties collected \$70,455,833 for inheritance taxes. If the inheritance taxes paid to the eleven counties surveyed in 2013 were similar in all 93 counties, the potential fiscal impact to counties as a result of enactment of section 12 of LB 1213 would be a reduction of \$30,838,518 total.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2020-21</u>	<u>2021-22</u>
	<u>20-21</u>	<u>21-22</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____