

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

| ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates) | | | | |
|---|---------------------|----------------|---------------------|----------------|
| | FY 2021-22 | | FY 2022-23 | |
| | EXPENDITURES | REVENUE | EXPENDITURES | REVENUE |
| GENERAL FUNDS | | | | |
| CASH FUNDS | | (\$63,375) | | (\$152,100) |
| FEDERAL FUNDS | | | | |
| OTHER FUNDS | | | | |
| TOTAL FUNDS | | | | |

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

Overall, LB10 will decrease the amount of funding from the motor vehicle tax (starting in FY22) that flows to the Department of Motor Vehicles (DMV), Counties, Local Government, and Local School Systems. In FY22 this total amount amongst the entities is estimated to be \$6,337,500 and in FY23 this amount is \$15,210,000. Additionally, starting in FY24 there will be increase General Fund expenditures. In FY24 the estimated increase in General Fund expenditures is \$2,194,196 and \$6,469,743 in FY25. Details of the impact of the bill are detailed below.

LB10 updates the definition of disabled veteran to mirror the federal definition found at 5 U.S.C. 2108. The updated definition is expanded from what is currently in statute and would be used for the purposes of determining if:

1. A mobile home that is owned and occupied by a disabled veteran is exempt from taxation.
2. A motor vehicle owned and used by a disabled veteran for transportation is exempt from the motor vehicle tax.

The Department of Motor Vehicles (DMV) indicates a there is a potential revenue loss as the definition expands the population of individuals who are eligible for the motor vehicle tax exemption. Based on information from the United States Department of Veterans Affairs, as of September 30, 2017, there were 43,465 veterans in Nebraska who would meet the updated definition of disabled veteran. The DMV estimates that 40,000 of these veterans will utilize the exemption. For the purposes of this fiscal note, the figure of 39,000 will be utilized as the DMV has indicated roughly 100 individuals currently qualify for the exemption and are included in the 40,000 figure they utilized. Utilizing CY2020 data, the average motor vehicle tax that would have been paid by an individual who qualified for the exemption under the current definition of disabled veteran was \$390. Utilizing these figures the total estimated revenue loss on an annual basis is \$15,210,000.

NRS 60-3,186 directs distribution of the motor vehicle taxes based on the vehicles situs as follows in the table below. The final column of the table provides the estimated revenue decrease for each entity who receives a portion of the revenue from the motor vehicle tax. Please also note the FY22 figures are adjusted to account for the January 1, 2022 effective date and a one (1) month lag in tax receipts.

| Motor Vehicle Tax Distribution and Estimated Revenue Decrease | | | |
|--|---------------------|-------------|-------------|
| Entity Receiving | Distribution | FY22 | FY23 |
| Counties for Costs Incurred | 1% of Total | 63,375 | 152,100 |
| DMV VTR Repl. And Maint. Cash Fund | 1% of Total | 63,375 | 152,100 |
| Local School System or District | 60% of Remaining | 3,726,450 | 8,943,480 |
| Local Government (City, Village, County)* | 40% of Remaining | 2,484,300 | 5,962,320 |

*There are three (3) types of distribution that can occur with regard to Counties and Cities/Villages with the portion remaining after the initial 2% is remitted to the DMV and Counties:

- 1) 18% to city or village & 22% to county
- 2) 40% to County – If the tax district is not in a city or village
- 3) 22% to city or village & 18% to county – If the county contains a city of metropolitan class

(continued)

NRS 60-3,186(d)(3) requires the proceeds from motor vehicle taxes be treated as property tax revenue. The proceeds are considered "other receipts" in the Tax Equity and Educational Opportunities Support Act (TEEOSA) formula. Based on FY18 data, schools receiving equalization aid under TEEOSA received 72.1 percent of the total motor vehicle tax proceeds that were distributed to local school systems or districts. Because there is a potential reduction in receipts to those local school systems or districts that receive equalization aid, there is a corresponding General Fund impact (i.e. increase in General Fund expenditures). To determine the General Fund impact (see table below), the following items were taken into account:

- 1) School Year (September-August) revenue decreases were calculated using the DMV provided projections for school years 2021-22 and 2022-23
- 2) Local School System or District revenue was multiplied by a 0.721 factor.
- 3) Accounted for two (2) year lag in when Motor Vehicle Tax receipts are considered in the TEEOSA formula.

| General Fund Increase in Funding for TEEOSA | |
|---|-----------|
| FY24 | FY25 |
| 2,194,196 | 6,469,743 |

The Nebraska Association of County Officials provided a fiscal note indicating statewide revenue losses for counties, cities, and schools would be anticipated to be nominal across the state.

The Department of Revenue was unable to provide a fiscal note in the timeframes allotted. However, previous responses for other bills where there has been a projected decrease in the motor vehicle tax have elicited a response indicating there is no negative impact on General Fund revenues and no impact to the department.

| | | | |
|--|------------------|---|--|
| ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE | | | |
| LB: 10 | AM: | AGENCY/POLT. SUB: Nebraska Association of County Officials (NACO) | |
| REVIEWED BY: Lee Will | DATE: 01/19/2021 | PHONE: (402) 471-4175 | |
| COMMENTS: NACO's assessment of nominal fiscal impact seems reasonable based on the changed definition of disabled veterans qualifying for motor vehicle and property tax exemptions. | | | |

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2021

LB⁽¹⁾ 10

FISCAL NOTE

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

Prepared by: ⁽³⁾ Bart Moore Date Prepared: ⁽⁴⁾ January 12, 2021 Phone: ⁽⁵⁾ 402-471-3902

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

| | <u>FY 2021-22</u> | | <u>FY 2022-23</u> | |
|--------------------|---------------------|------------------|---------------------|------------------|
| | <u>EXPENDITURES</u> | <u>REVENUE</u> | <u>EXPENDITURES</u> | <u>REVENUE</u> |
| GENERAL FUNDS | _____ | _____ | _____ | _____ |
| CASH FUNDS | _____ | (156,000) | _____ | (156,000) |
| FEDERAL FUNDS | _____ | _____ | _____ | _____ |
| OTHER FUNDS | _____ | _____ | _____ | _____ |
| TOTAL FUNDS | ===== | (156,000) | ===== | (156,000) |

Explanation of Estimate:

This legislation will reduce Motor Vehicle Tax collections for the state. The impact to the Department will be a reduction of revenue from these tax collections for the Vehicle Title and Registration Modernization project that receives 1% of these funds.

The DMV estimates that 40,000 of the 43,465 veterans receiving disability compensation (provided by the Department of Veteran Affairs) will utilize this exemption. For purposes of this calculation, we will use an average motor vehicle tax of \$390 per vehicle and one vehicle per veteran.

These estimates result is a reduction of motor vehicle tax collections of \$15,600,000 per fiscal year. The revenue reduction to the Vehicle Title and Registration Modernization Project is 1% of this amount or \$156,000.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

| <u>POSITION TITLE</u> | <u>NUMBER OF POSITIONS</u> | | <u>2021-22</u> | <u>2022-23</u> |
|---------------------------|----------------------------|--------------|---------------------|---------------------|
| | <u>21-22</u> | <u>22-23</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.

2021

LB⁽¹⁾ 10

FISCAL NOTE

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

Prepared by: ⁽³⁾ Elaine Menzel Date Prepared: ⁽⁴⁾ _____ Phone: ⁽⁵⁾ 402.434.5660

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

| | <u>FY 2021-22</u> | | <u>FY 2022-23</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 number of individuals eligible under the proposed definition of disabled veterans under LB 10 would be increased. While decreasing motor vehicle revenue to counties, cities and schools by an unknown amount if this legislation were enacted, the decrease is likely to be nominal across the state.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

| <u>POSITION TITLE</u> | <u>NUMBER OF POSITIONS</u> | | <u>2021-22</u> | <u>2022-23</u> |
|---------------------------|----------------------------|--------------|---------------------|---------------------|
| | <u>21-22</u> | <u>22-23</u> | <u>EXPENDITURES</u> | <u>EXPENDITURES</u> |
| Benefits..... | _____ | _____ | _____ | _____ |
| Operating..... | _____ | _____ | _____ | _____ |
| Travel..... | _____ | _____ | _____ | _____ |
| Capital outlay..... | _____ | _____ | _____ | _____ |
| Aid..... | _____ | _____ | _____ | _____ |
| Capital improvements..... | _____ | _____ | _____ | _____ |
| TOTAL..... | _____ | _____ | _____ | _____ |