

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2024-25		FY 2025-26	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$21,534		\$1,400,000	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$21,534		\$1,400,000	

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

LB 1041 would make changes to provisions connected to the Homestead Exemption Program

The bill would make changes so that annually the county assessor would need to certify to the Department of Revenue (DOR) the average assessed value of single-family residential property in the county for the current year and the percentage change of such average assessed value from the preceding year.

The bill would make changes regarding maximum value for homestead exemptions so that the exempt amount would be reduced by 10% for each \$5,000 of value by which the homestead exceeds the maximum value and any homestead which exceeds the maximum value by \$50,000 dollars or more would not be eligible for exemptions.

The bill would add that the income eligibility amounts for the homestead exemption program would be adjusted by the percentage increase, if any, of the average assessed value of single-family residential property in the claimant’s county of residence in addition to the current adjustment based on the Consumer Price Index.

The operative date for this bill is January 1, 2025.

The Department of Revenue estimates the following increase to General Fund expenditures as a result of this bill:

- FY 24-25: \$0
- FY 25-26: \$1,400,000
- FY 26-27: \$1,500,000
- FY 27-28: \$1,600,000

The DOR estimates a one-time charge of \$21,534 to be paid to the Office of the Chief Information Officer (OCIO) for mainframe and web development as a result of this bill.

There is no basis to disagree with these estimates.

Political subdivisions are estimated to be reimbursed by the state for property tax losses as a result of this bill. Responding county offices and the Nebraska Association of County Officials estimate minimal to no fiscal impact connected to counties from this bill.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 1041	AM:	AGENCY/POLT. SUB: Department of Revenue
REVIEWED BY: Neil Sullivan	DATE: 2/21/2024	PHONE: (402) 471-4179
COMMENTS: The Department of Revenue assessment of fiscal impact from LB 1041 appears reasonable.		

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 1041	AM:	AGENCY/POLT. SUB: Department of Health & Human Services
REVIEWED BY: Neil Sullivan	DATE: 2/20/2024	PHONE: (402) 471-4179
COMMENTS: The Department of Health & Human Services assessment of no fiscal impact from LB 1041 appears reasonable.		

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 1041	AM:	AGENCY/POLT. SUB: Department of Veterans Affairs
REVIEWED BY: Neil Sullivan	DATE: 2/20/2024	PHONE: (402) 471-4179
COMMENTS: The Department of Veterans Affairs assessment of no fiscal impact from LB 1041 appears reasonable.		

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 1041	AM:	AGENCY/POLT. SUB: Douglas County Assessor
REVIEWED BY: Neil Sullivan	DATE: 2/20/2024	PHONE: (402) 471-4179
COMMENTS: No basis to disagree with the Douglas County Assessor assessment of indeterminate fiscal impact from LB 1041.		

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 1041	AM:	AGENCY/POLT. SUB: Nebraska Association of County Officials
REVIEWED BY: Neil Sullivan	DATE: 2/20/2024	PHONE: (402) 471-4179
COMMENTS: No basis to disagree with the Nebraska Association of County Officials assessment of indeterminate reimbursed fiscal impact from LB 1041.		

State Agency Estimate

State Agency Name: Department of Revenue

Date Due LFO:

Approved by: James R. Kamm

Date Prepared: 02/20/2024

Phone: 471-5896

	<u>FY 2024-2025</u>		<u>FY 2025-2026</u>		<u>FY 2026-2027</u>	
	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>
General Funds	\$21,534		\$1,400,000		\$1,500,000	
Cash Funds						
Federal Funds						
Other Funds						
Total Funds	\$21,534		\$1,400,000		\$1,500,000	

LB 1041 changes provisions related to the homestead exemption. Currently, for homesteads valued at or above the maximum value, the exempt amount is reduced by 10% for each \$2,500 of value by which the homestead exceeds maximum value. Homestead value which exceeds the maximum value by \$20,000 or more are not eligible for the homestead exemption. LB 1041 modifies this so the exempt amount is reduced by 10% for each \$5,000 of value by which the homestead exceeds maximum value and any homestead which exceeds the maximum value by \$50,000 or more are not eligible for a homestead exemption.

LB 1041 will now require county assessors to annually certify to the Department of Revenue (DOR) the percentage of average assessed value of a single-family residential property from the preceding year. County assessors are currently required to annually certify to the DOR the average assessed value of a single-family residential property in their county.

LB 1041 will also require an annual adjustment of the income eligibility amounts for the homestead exemption by the percentage increase, if any, of the average assessed value of single-family residential property in the claimant’s county of residence, as reported in its annual certification to the DOR.

DOR used current homestead data and Public Use Microdata Sample (PUMS) data from census to run simulation on the homestead data and estimated the increase in the homestead expenditure under LB 1041. DOR estimates that LB 1041 will have the following impact on the General Fund expenditures:

Fiscal Year	General Fund expenditures
FY24-25	\$ -
FY25-26	\$ 1,400,000
FY26-27	\$ 1,500,000
FY27-28	\$ 1,600,000

It is estimated that LB 1041 will require one-time charge of the \$21,534 paid to the OCIO for mainframe development and web development.

Major Objects of Expenditure

<u>Class Code</u>	<u>Classification Title</u>	<u>24-25 FTE</u>	<u>25-26 FTE</u>	<u>26-27 FTE</u>	<u>24-25 Expenditures</u>	<u>25-26 Expenditures</u>	<u>26-27 Expenditures</u>
	Benefits.....						
	Operating Costs.....				\$21,534		
	Travel.....						
	Capital Outlay.....						
	Capital Improvements.....						
	Total.....				\$21,534		

The operative date for this bill is three months after adjournment.

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

State Agency or Political Subdivision Name:(2) Department of Health and Human Services

Prepared by: (3) John Meals

Date Prepared 1-30-2024

Phone: (5) 471-6719

	<u>FY 2024-2025</u>		<u>FY 2025-2026</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS				
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$0	\$0	\$0	\$0

Return by date specified or 72 hours prior to public hearing, whichever is earlier.

Explanation of Estimate:

There is no fiscal impact to the Department of Health and Human Services.

MAJOR OBJECTS OF EXPENDITURE

PERSONAL SERVICES:	POSITION TITLE	NUMBER OF POSITIONS		2024-2025	2025-2026
		24-25	25-26	EXPENDITURES	EXPENDITURES
Benefits.....					
Operating.....					
Travel.....					
Capital Outlay.....					
Aid.....					
Capital Improvements.....					
TOTAL.....				\$0	\$0

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2024

LB⁽¹⁾ 1041

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Nebraska Department of Veterans Affairs (NDVA)

Prepared by: ⁽³⁾ Nicole S Zimmermann Date Prepared: ⁽⁴⁾ 1/9/2024 Phone: ⁽⁵⁾ 531-220-1433

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	FY 2024-25		FY 2025-26	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	=====	=====	=====	=====

Explanation of Estimate:

"No Fiscal Impact"

LB 1041 does not have any fiscal impact for Nebraska Department of Veterans Affairs.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

POSITION TITLE	NUMBER OF POSITIONS		2024-25 EXPENDITURES	2025-26 EXPENDITURES
	24-25	25-26		
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....				
Operating.....				
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
TOTAL.....				

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

2024

LB⁽¹⁾ 1041

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Douglas County Assessor/Register of Deeds

Prepared by: ⁽³⁾ Michael Goodwillie Date Prepared: ⁽⁴⁾ 1/16/2024 Phone: ⁽⁵⁾ (402) 444-6703

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2024-25</u>		<u>FY 2025-26</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

Explanation of Estimate:

LB 1041 does two things. It requires the county assessor to calculate the percentage change of the average assessed value of single-family residences in the county every year. Currently, the assessor determines that amount from one year to the next because it is important to the amount of the homestead exemption most applicants can receive. That piece is simple enough to do.

The second thing that would happen is that change percentage would be used to determine the income amounts used for homestead eligibility. Currently, each year those amounts are recalculated by the Department of Revenue based on the Consumer Price Index. LB 1151 would, in addition to the CPI, adjust the income requirements for homestead eligibility by the percentage of change in the value of a single-family home in the county. If that percentage was, say, 10%, then, as an example the income limit for married seniors would increase by CPI + 10%, from \$38,900.99 to \$43,569.10 (\$38,900.99 x 12%, using 2% for CPI and 10% as the increase in the value of a single-family residence.) That would apply to all of the income percentage brackets for homestead eligibility, which cap out at 10% exemption, which currently, again for married seniors, caps out at \$57,700.99.

The impact of the bill would most likely increase the percentage of the homestead exemption. People who were 90% or 80% qualifiers might be full qualifiers, depending on what that percentage might be, those at lesser percentages would be bumped up to a higher level, and at the high end, there would be people who are currently ineligible for homestead, based on income, who would be partial qualifiers. We think that group would be relatively small. The biggest impact would be to enhance the benefit for people who already qualify for a partial homestead exemption. This means that the actual number of applicants is not likely to increase beyond what our office can manage with existing staff.

In terms of what LB 1041 might mean in terms of potential tax loss to local political subdivisions (and the amount of state reimbursement for that tax loss), that is difficult to calculate because you don't know what that percentage increase in the income amounts is going to look like. Last year, Douglas County had 3,800 "partial qualifiers based on income. All of those would have their percentage exemption increased if LB 1041 were to pass.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

POSITION TITLE	NUMBER OF POSITIONS		2024-25	2025-26
	<u>24-25</u>	<u>25-26</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Benefits.....				
Operating.....				
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
TOTAL.....				

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2024

LB⁽¹⁾ 1041

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Lancaster County Assessor/Register of Deeds

Prepared by: ⁽³⁾ Dan Nolte Date Prepared: ⁽⁴⁾ 01/09/2024 Phone: ⁽⁵⁾ 402-441-7463

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2024-25</u>		<u>FY 2025-26</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 proposed legislation will have limited or no fiscal impact on this office.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2024-25</u>	<u>2025-26</u>
	<u>24-25</u>	<u>25-26</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.

2024

LB⁽¹⁾ 1041

FISCAL NOTE

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

Prepared by: ⁽³⁾ Elaine Menzel Date Prepared: ⁽⁴⁾ 1/11/2024 Phone: ⁽⁵⁾ 402.434.5660

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2024-25</u>		<u>FY 2025-26</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 1041 would provide a homestead exemption for individuals would be additionally adjusted by the percentage increase, if any, of the average assessed value of single-family residential property in the claimant's county of residence. Such increase in qualified claimants would result in an unknown number of additional claims to process by county assessors and county boards of equalization. The fiscal impact to counties would be negligible.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2024-25</u>	<u>2025-26</u>
	<u>24-25</u>	<u>25-26</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____