

# FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

## ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)

	FY 2025-26		FY 2026-27	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$407,592		\$19,449,000	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$407,592		\$19,449,000	

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

LB 425 amends section 77-3506 regarding the Homestead Exemption Program.

Section 77-3506 is amended so that there shall be exempt from taxation, on any homestead described in subdivision (2)(g), a percentage of the exempt amount. The percentage of the exempt amount shall be equal to the disability percentage of the veteran of the homestead.

Subdivision (2)(g) is added to statutes and requires that beginning January 1, 2026, a veteran who was discharged or otherwise separated with a characterization of honorable or general (under honorable conditions), who is drawing compensation from the United States Department of Veterans Affairs because the veteran is at least 80% disabled but less than 100% disabled due to a service-connected disability, and who is not eligible for total exemption under sections 77-3526 to 77-3528, an unmarried surviving spouse of such a veteran, or a surviving spouse of such a veteran who remarries after attaining the age of 57 years is eligible for the homestead exemption amount described above.

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

- FY26: \$0
- FY27: \$19,449,000
- FY28: \$20,556,000
- FY29: \$21,726,000

The DOR estimates a one-time programming charge of \$407,592 to be paid to the Office of the Chief Information Officer (OCIO) as a result of the bill.

There is no basis to disagree with these estimates by the DOR.

Political subdivisions are estimated to be reimbursed by the state for property tax losses as a result of changes to the Homestead Program under this bill.

### ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE

LB: 425	AM:	AGENCY/POLT. SUB: Department of Revenue	
REVIEWED BY: Ryan Yang		DATE: 1/24/2025	PHONE: (402) 471-4178
COMMENTS: No basis to disagree with the Department of Revenue assessment of fiscal impact from LB 425.			

### ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE

LB: 425	AM:	AGENCY/POLT. SUB: Nebraska Association of County Officials	
REVIEWED BY: Ryan Yang		DATE: 1/24/2025	PHONE: (402) 471-4178
COMMENTS: No basis to disagree with the Nebraska Association of County Officials assessment of fiscal impact from LB 425.			

LB<sup>(1)</sup> 425

FISCAL NOTE

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

Prepared by: <sup>(3)</sup> Dan Nolte

Date Prepared: <sup>(4)</sup> 01/22/25

Phone: <sup>(5)</sup> 402-441-7463

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	FY 2025-26		FY 2026-27	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS				

Explanation of Estimate: The proposed legislation will have no fiscal impact on this office.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE				
Personal Services:				
POSITION TITLE	NUMBER OF POSITIONS		2025-26	2026-27
	25-26	26-27	EXPENDITURES	EXPENDITURES
Benefits.....				
Operating.....				
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
TOTAL.....				

State Agency OR Political Subdivision Name: <sup>(2)</sup> Nebraska Association of County Officials

Prepared by: <sup>(3)</sup> Elaine Menzel

Date Prepared: <sup>(4)</sup> 1/24 /2025

Phone: <sup>(5)</sup> 402.434.5660

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	FY 2025-26		FY 2026-27	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS				

Explanation of Estimate:

LB425 would add a homestead exemption applicable to disabled veterans and surviving spouses.

According to the U.S. Bureau of Labor Statistics (2023), 5.9% of veterans have a 30% or less disability, 5.1% have a 30-50% disability, and 16.4% have a 60% or higher disability. If we were to apply these percentages to Nebraska's veteran population of 114,353 (as estimated by figures and projections from the U.S. Department of Veterans Affairs, 2024), this means that of Nebraska veterans, 6,741 have a 30% or less disability, 5,865 have a 30-50% disability, and 18,804 have a 60% of higher disability. According to Zillow, the median sale price of a Nebraska home is \$260,000. According to the Nebraska Department of Revenue, the average tax rate in Nebraska counties was 1.5326, meaning that approximately \$125,161,312 is currently collected from Nebraska veterans with disabilities. If we were to reduce this amount based on the percentage of disability for each class of veterans, the new figure would be \$77,350,169, or a reimbursable tax loss of \$47,811,143.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE				
Personal Services:				
POSITION TITLE	NUMBER OF POSITIONS		2025-26	2026-27
	25-26	26-27	EXPENDITURES	EXPENDITURES
Benefits.....				
Operating.....				
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
TOTAL.....				

## State Agency Estimate

State Agency Name: Department of Revenue				Date Due LFO:			
Approved by: James R. Kamm				Date Prepared: 01/24/2025			
				Phone: 471-5896			
		<b>FY 2025-2026</b>		<b>FY 2026-2027</b>		<b>FY 2027-2028</b>	
	<u>Expenditures</u>	<u>Revenue</u>		<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>
General Funds	\$407,592	\$0		\$19,449,000		\$20,556,000	
Cash Funds							
Federal Funds							
Other Funds							
Total Funds	\$407,592	\$0		\$19,449,000		\$20,556,000	

LB 425 amends Neb. Rev. Stat. § 77-3506 of the Homestead Act to create new category of homestead exemption for honorably discharged disabled veterans who have at least an 80% but less than a 100% service-connected disability and who do not qualify for total exemption as a paraplegic or multiple amputees. The exemption percentage for these veterans would be equal to their disability percentage. This legislation would also allow a homestead exemption to the surviving spouses of such veterans.

It is estimated that LB 425 will have the following impact on the General Fund expenditures:

Fiscal Year	General Fund expenditures
FY 2025-2026	\$ -
FY 2026-2027	\$ 19,449,000
FY 2027-2028	\$ 20,556,000
FY 2028-2029	\$ 21,726,000

LB 425 will require a one-time programming charge of \$407,592 paid to the OCIO for web team costs.

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

## Major Objects of Expenditure

<u>Class Code</u>	<u>Classification Title</u>	<u>25-26 FTE</u>	<u>26-27 FTE</u>	<u>27-28 FTE</u>	<u>25-26 Expenditures</u>	<u>26-27 Expenditures</u>	<u>27-28 Expenditures</u>
Benefits.....							
Operating Costs.....					\$407,592		
Travel.....							
Capital Outlay.....							
Capital Improvements.....							
<b>Total.....</b>					\$407,592		