

**FISCAL NOTE**  
 LEGISLATIVE FISCAL ANALYST ESTIMATE

<b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)</b>				
	<b>FY 2025-26</b>		<b>FY 2026-27</b>	
	<b>EXPENDITURES</b>	<b>REVENUE</b>	<b>EXPENDITURES</b>	<b>REVENUE</b>
GENERAL FUNDS				
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	See Below		See Below	

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

LB 424 provides that the property tax bill for any parcel of real property shall not exceed the prior year's property tax bill by more than the allowable growth percentage. This shall not apply if the increase in a property tax bill is due to improvements made to the relevant parcel of real property.

Under the bill, allowable growth percentage means the lesser of the inflation rate or 3%.

Property taxes are the primary funding source for the local resources component of the TEEOSA calculation. This bill alters a school district's ability to tax to fund the district which could affect the amount of aid received. The potential impact would vary by district.

<b>ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY &amp; POLT. SUB. RESPONSE</b>			
LB: 424	AM:	AGENCY/POLT. SUB: Nebraska Department of Education	
REVIEWED BY: Ryan Yang	DATE: 1/28/2025	PHONE: (402) 471-4178	
COMMENTS: No basis to disagree with the Nebraska Department of Education assessment of indeterminate fiscal impact from LB 424.			

<b>ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY &amp; POLT. SUB. RESPONSE</b>			
LB: 424	AM:	AGENCY/POLT. SUB: Department of Revenue	
REVIEWED BY: Ryan Yang	DATE: 2/24/2025	PHONE: (402) 471-4178	
COMMENTS: No basis to disagree with the Department of Revenue assessment of no fiscal impact to the agency from LB 424, and a fiscal impact to TEEOSA.			

<b>ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY &amp; POLT. SUB. RESPONSE</b>			
LB: 424	AM:	AGENCY/POLT. SUB: Nebraska Association of County Officials	
REVIEWED BY: Ryan Yang	DATE: 1/28/2025	PHONE: (402) 471-4178	
COMMENTS: No basis to disagree with the Nebraska Association of County Officials assessment of indeterminate fiscal impact from LB 424.			

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

LB: 424            AM:                            AGENCY/POLT. SUB: Lancaster County Assessor/Register of Deeds

REVIEWED BY: Ryan Yang                            DATE: 2/1/2025                            PHONE: (402) 471-4178

COMMENTS: No basis to disagree with the Lancaster County Assessor/Register of Deeds assessment of fiscal impact from LB 424.

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

LB: 424            AM:                            AGENCY/POLT. SUB: Douglas County Assessor/Register of Deeds

REVIEWED BY: Ryan Yang                            DATE: 2/1/2025                            PHONE: (402) 471-4178

COMMENTS: No basis to disagree with the Douglas County Assessor/Register of Deeds assessment of indeterminate fiscal impact from LB 424.

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

**2025**

**LB<sup>(1)</sup> 424**

**FISCAL NOTE**

State Agency OR Political Subdivision Name: <sup>(2)</sup> Nebraska Department of Education

Prepared by: <sup>(3)</sup> Bryce Wilson Date Prepared: <sup>(4)</sup> 1/27/25 Phone: <sup>(5)</sup> 402-471-4320

**ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION**

	<u>FY 2025-26</u>		<u>FY 2026-27</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
<b>TOTAL FUNDS</b>	<b>=====</b>	<b>=====</b>	<b>=====</b>	<b>=====</b>

**Explanation of Estimate:**

LB 424 limits the total amount a property tax bill can increase to the lesser of the Consumer Price Index percentage or 3% unless improvements were made to the real property.

This bill limits the total amount property tax bills can increase without addressing how the new limit would be allocated amongst all the taxing entities or any other impacts from the limit.

Fiscal impact cannot be determined at this time, but it could have significant impacts on school districts and ESU's. No fiscal impact to NDE.

**BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE**

**Personal Services:**

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2025-26</u>	<u>2026-27</u>
	<u>25-26</u>	<u>26-27</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
<b>TOTAL.....</b>	<b>_____</b>	<b>_____</b>	<b>_____</b>	<b>_____</b>

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

2025

LB<sup>(1)</sup> 424

FISCAL NOTE

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

Prepared by: <sup>(3)</sup> Michael Goodwillie Date Prepared: <sup>(4)</sup> 1/27/2025 Phone: <sup>(5)</sup> 402 444-6703

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2025-26</u>		<u>FY 2026-27</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 424 would cap property tax bills at the inflation rate or three percent, whichever is less. The exception is for improvements added to a parcel of real property. Since the Treasurer’s Office, rather than the Assessor/Register of Deeds Office, does billing, this appears to be more of a Treasurer’s bill than one affecting the assessor. Although the bill does not say in any detail how this would work, it seems logical that if a property tax bill is calculated, it would be compared to the allowable growth percentage of the bill for that year and anything over and above that growth percentage would be dropped off. It also isn’t clear how this would work in conjunction with the school district tax credits adopted in last year’s special session. In any event, the administrative costs would be with the Treasurer and the Douglas Omaha Technology Commission (Dotcomm) who does the programming for tax bills.

There is a constitutional issue raised by the bill. Article VIII, Section 1(1) requires that taxes be levied by valuation in a uniform and proportionate manner. This means that property taxes should be levied at the same relative standard in relation to its value so that the tax burden is relatively evenly distributed. Most often this issue can come up in the context of valuation caps—the property that appreciates in value much more and faster than the property that appreciates at a lower rate, soon resulting in a situation where one property is taxed at a significantly lower percentage than another. This is equally true if the cap is applied on the billing end. Assuming the same tax rate is applied to both properties, the property that appreciates 10% a year in value will soon be at a much lesser tax burden than the property that only appreciates in value at 3% a year. Whether the cap is applied at the front end, for value, or the back end, on billing, the principal is the same.

The bill isn’t clear on how it would work with the new school district tax credit or the restrictions on the tax requests on local subdivisions—the previous year’s request, plus growth, plus inflation, plus exceptions for emergencies and public safety. But as an example, the difference between taxes billed by all subdivisions in Douglas County between 2022 and 2023 was \$104,278,568, or about 7.8%. A three percent cap leaves the increase at \$39,870,477. That would have been a lot to make up in terms of local resources, especially in those political subdivisions where the growth rate was high.

Our office does not see fiscal impact to this office but there would probably be some administrative cost to the Treasurer and Dotcomm. There might be significant tax loss to political subdivisions.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

**Personal Services:**

<b><u>POSITION TITLE</u></b>	<b>NUMBER OF POSITIONS</b>		<b>2025-26</b>	<b>2026-27</b>
	<b><u>25-26</u></b>	<b><u>26-27</u></b>	<b><u>EXPENDITURES</u></b>	<b><u>EXPENDITURES</u></b>
Benefits.....				
Operating.....				
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
<b>TOTAL.....</b>				

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

**2025**

**LB<sup>(1)</sup> 424**

**FISCAL NOTE**

State Agency OR Political Subdivision Name: <sup>(2)</sup> Lancaster County, Nebraska

Prepared by: <sup>(3)</sup> Dennis Meyer Date Prepared: <sup>(4)</sup> 1/27/2025 Phone: <sup>(5)</sup> 402-441-6869

**ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION**

	<u>FY 2025-26</u>		<u>FY 2026-27</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:**

Between fiscal years 2021 and 2025, Lancaster County's property tax revenues, excluding bond-related funds, were as follows:

- FY2021: \$82,516,751
- FY2022: \$85,960,757
- FY2023: \$88,299,266
- FY2024: \$91,831,237
- FY2025: \$95,397,954

This reflects annual growth rates of:

- FY2021 to FY2022: 4.01%
- FY2022 to FY2023: 2.65%
- FY2023 to FY2024: 4.00%
- FY2024 to FY2025: 3.74%

Under the proposed constraints of LB424, which aims to cap annual property tax bill increases to the lesser of 3% or the inflation rate, the county's revenue growth would have been limited. Consequently, Lancaster County would have experienced a revenue shortfall of approximately **\$811,780** in FY2025 and **\$882,993** in FY2024.

In contrast, LB34, enacted in 2024, introduced the Property Tax Growth Limitation Act, which establishes a zero percent growth base request for political subdivisions starting on July 1, 2025. It allows for potential additions based on various factors, such as taxes budgeted for approved bonds, emergency responses, and public safety needs.

**BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE**

**Personal Services:**

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2025-26</u>	<u>2026-27</u>
	<u>25-26</u>	<u>26-27</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.

**2025**

**LB<sup>(1)</sup> 424**

**FISCAL NOTE**

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**

	<u>FY 2025-26</u>		<u>FY 2026-27</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
<b>TOTAL FUNDS</b>	<b>=====</b>	<b>=====</b>	<b>=====</b>	<b>=====</b>

**Explanation of Estimate:**

LB424 would substantially reduce county property tax revenue by an unknown amount. LB424 would prohibit the property tax bill for any parcel of real property from increasing more than the lesser of the inflation rate or 3%. If implemented, a parcel of real estate that experiences the highest increase in valuation (and in turn, potentially the highest increase in property tax) would be capped at the less of the inflation rate or 3%. That means that other properties would have to be equalized similarly, in turn further reducing county property tax request by several hundreds of thousands or millions of dollars. The exact figure cannot be quantified because highly localized market fluctuations defy prediction.

**BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE**

**Personal Services:**

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2025-26</u>	<u>2026-27</u>
	<u>25-26</u>	<u>26-27</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
<b>TOTAL.....</b>	<b>_____</b>	<b>_____</b>	<b>_____</b>	<b>_____</b>



