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DATE PREPARED: January 26, 2007
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LB 487

Revision: 00

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *

	FY 2007-08		FY 2008-09	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	$135,100		$72,000	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	$135,100		$72,000	

*Does not include any impact on political subdivisions. See narrative for political subdivision estimates.

LB 487 authorizes a local individual income tax for schools beginning January 1, 2008. The tax must be approved by a majority of the voters in the school district or learning community prior to October 1st of the year preceding the imposition of the tax. The tax may not be imposed for more than five years. The tax is defined as a percentage of income tax liability of the individual as approved by the registered voters. The amount of tax is not limited in any manner. A vote to rescind or modify an approved tax may also be taken prior to the expiration of the tax. A vote may taken to allow a school district to exceed the allowable growth rate at the same time as the vote to authorize the local income tax is approved. The bill eliminates current provisions allowing school districts to exceed the levy limit with the approval of a majority of the voters.

The Tax Commissioner is to administer the tax and prescribe forms and rules and regulations to collect the tax. A Local School Support Income Tax Fund is created for the tax proceeds. The Department of Revenue estimates a one-time cost of $58,000 of general funds in 2007-08 to create a new schedule and incorporate an additional line on the income tax form. Additional staffing and capital outlay expenses to implement the bill are projected to total $77,100 in 2007-08 and $72,000 in 2008-09.

The bill will have a fiscal impact in terms of additional revenue from the income tax for school districts which opt to utilize a local income tax. It is possible increased revenue from the local income tax will be used to offset property tax revenue. If that occurs, then “needs” in the state aid formula will not change and the bill will have no fiscal impact for the state. However, if there is a vote to exceed the allowable growth rate in conjunction with the vote to impose a local income tax and spending increases with the income tax proceeds, then an increase in state aid will result, two years after the spending increase occurs. This is because the income tax proceeds are not an accountable receipt for state aid purposes. The increase in spending will increase the cost grouping cost per student and increase state aid for districts in the cost grouping. The amount of increase in state aid cannot be determined.

The repeal of provisions allowing school districts to exceed the levy limit by a vote of the people will decrease property tax revenue for those school districts that would have opted to ask voters to approve a levy limit higher than the maximum. Currently, there are over forty school districts that have voted a levy override.

DEPARTMENT OF ADMINISTRATIVE SERVICES

REVIEWED BY	Lyn Heaton	DATE 2/1/07	PHONE 471-2526

COMMENTS

SECRETARY OF STATE: Concur. No fiscal impact.