LB 310

Revision: 02 FISCAL NOTE LEGISLATIVE FISCAL ANALYST ESTIMATE

Revised to include AM 635

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)							
	FY 202	2-23	FY 2023-24				
	EXPENDITURES	REVENUE	EXPENDITURES REVENUE				
GENERAL FUNDS							
CASH FUNDS							
FEDERAL FUNDS							
OTHER FUNDS							
TOTAL FUNDS							

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

AM 635 was adopted on General File, which replaces the bill.

LB 310 AM 635 seeks to change the inheritance tax in Nebraska. LB 310 AM 635 increases the amount that can be received before paying inheritance tax, and decreases the rate for certain beneficiaries.

AM 635 exempts beneficiaries under the age of 22 from paying inheritance tax. For other beneficiaries, the tax is as follows:

For those receiving property and are related to the deceased as a parent, grandparent, spouse, child, or legally adopted child:

- Prior to Jan 1, 2022: 1% collected on the market value of property received by each person in excess of \$40,000
- On or After Jan 1, 2022: 1% collected on the market value of property received by each person in excess of \$100,000 For those receiving property and are related to the deceased as an uncle, aunt, niece, or nephew:
 - Prior to Jan 1, 2022: 13% collected on the market value of property received by each person in excess of \$15,000

• On or After Jan 1, 2022: 11% collected on the market value of property received by each person in excess of \$40,000 In all other cases where beneficial interests are received:

- Prior to Jan 1, 2022: 18% collected on the market value of beneficial interests received by each person in excess of \$10,000
- On or After Jan 1, 2022: 15% collected on the market value of beneficial interests received by each person in excess of \$25,000

LB 310 would become operative three months after adjournment.

AM 635 also requires county treasurers to submit an annual report regarding inheritance tax revenue to the Department of Revenue.

The Department of Revenue expects no fiscal impact to the General Fund or to the Department as a result of LB 310. There is no basis to disagree with this estimate.

The Nebraska Association of County Officials (NACO) estimates significant revenue loss to counties. Each county will see different fiscal impacts, but a survey of 14 counties, excluding Lancaster and Douglas, shows a \$90,700 revenue loss for each observed county under LB 310 AM 635. NACO projects administrative costs could increase due to the need to report the age of beneficiaries. There is no basis to disagree with these estimates.

	TRATIVE SERVICES S	STATE BUDGET DIVISION' REVIEW	OF AGENCY & POLT. SUB. RESPONSE			
LB: 310	AM: 635		a Association of County Officials (NACO)			
REVIEWED BY	: Neil Sullivan	DATE: 1/13/2022	PHONE: (402) 471-4179			
COMMENTS: No basis to disagree with the NACO's assessment of fiscal impact related to the reduction in inheritance taxes collected by the counties.						

LB 310 AM 635

		State Agency	Estimate			
State Agency Name: Department of	Revenue				Date Due LFO:	
Approved by: Tony Fulton		Date Prepared:	1/18/2022		Phone: 471-5896	
	<u>FY 202</u>	2-2023	FY 202	3-2024	FY 2024	4-2025
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue
General Funds		\$ 0		\$ 0		\$ 0
Cash Funds						
Federal Funds						
Other Funds						
Total Funds		\$ 0		\$ 0		\$ 0

CALLAR A CALLAR TRACTOR

LB 310, with the Revenue Committee amendment, AM 635, would increase the exemption amounts or reduce the inheritance tax rates for inheritances from decedents dying on or after January 1, 2022 as follows:

Relationship to decedent	Current exemption amount	AM 635 exemption amount	Current rate on the excess	AM 635 rate on the excess
Siblings and lineal descendants	\$40,000	\$100,000	1%	1%
Remote relatives	\$15,000	\$40,000	13%	11%
Nonrelatives	\$10,000	\$25,000	18%	15%

In addition, there will not be inheritance tax imposed on any beneficiary whose is less than 22 years of age.

Section 4 requires each county to submit a report to the Nebraska Department of Revenue (DOR) detailing the number of beneficiaries and the amount received for each class of beneficiary. Counties are also to report the number of nonresident beneficiaries. The report is to be submitted by July 1 beginning in 2022 and cover the prior calendar year.

It is estimated that there will be no cost to DOR to implement this bill.

It is estimated that this bill will have no impact on General Fund revenues.

Major Objects of Expenditure									
Class Code	Classification Title	22-23 <u>FTE</u>	23-24 <u>FTE</u>	24-25 <u>FTE</u>	22-23 Expenditures	23-24 <u>Expenditures</u>	24-25 <u>Expenditures</u>		
Benefits									
Operating Costs									
	Travel								
Capital Outlay									
Capital Improvemen	Capital Improvements								
	Total								

LB⁽¹⁾ 310 AM635 REVISED

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State Agency OR I	Political Subdivision Name: (2	Nebraska Association of County (NACO)				
Prepared by: (3)			1/12/2022	Phone: ⁽⁵⁾	402.434.5660	
	ESTIMATE PROV	VIDED BY STATE AGEN	VCY OR POLITICAL	SUBDIVIS	ION	
	<u>FY</u> EXPENDITURE	<u>7 2022-23</u> S REVENUE	EXPENDITU	<u>FY 2023-</u> JRES	-24 REVENUE	
GENERAL FUN	DS					
CASH FUNDS						
FEDERAL FUN	DS					
OTHER FUNDS						
TOTAL FUNDS Explanation of E			<u> </u>			

LB 310 with the adoption of AM635 would negatively impact the collection of inheritance taxes by counties in 2022 and all future years. To analyze the impact as illustrated below, 675 individual worksheets were analyzed in 14 counties: Blaine, Box Butte, Brown, Buffalo, Deuel, Gage, Hamilton, Lincoln, Rock, Sarpy, Saunders, Valley, Wayne and York Counties. NACO would stress that this is a very small sample, does not include the two largest counties, and is a snapshot only for the year of 2019 and how it would impact the select 14 counties in 2022 and into the future. Inheritance taxes collected by counties can vary significantly year to year within each of the counties.

Classes of Beneficiaries	Current Taxes Collected of 14 Counties	2022 taxes with AM635*	Negative Impact if AM635 Were in Effect	
Class 1	\$6,669,815.76	\$5,831,572.88	\$ 838,242.88	Exemption increased from \$40,000 - \$100,000 – rate remains at 1% of the clear market value of property
Class 2	\$1,916,063.19	\$1,482,336.74	\$ 664,095.60	Exemption increased from \$15,000 - \$40,000 and the rate decreased from 13% - 11% of the clear market value of property
Class 3	\$3,221,100.22	\$2,552,523.88	\$ 657,399.99	Exemption increased from \$10,000 - \$25,000 and the rate decreased from 18% - 15% of the clear market value of property
Total	\$11,801,191.21	\$ 10,530,529.10	\$1,270,662.11	

There would be a negative impact for the loss of inheritance taxes collected for beneficiaries under age 21 for all classes. The loss is unknown since information about ages of beneficiaries is not reported on the worksheets. The loss will vary between counties and from year to year. The reporting structure will cause counties to expend time and incur costs. When NACO analyzed 675 cases from 14 counties, approximately 7 minutes was spent on each case. Given an average wage of \$33,413/yr for county employees, the fiscal impact would be about \$5,000 to access documents and record the number of beneficiaries of each class. Beneficiary residency information is generally not reported separately within county court filings..

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:					
	NUMBER OF POSITIONS		2022-23	2023-24	
POSITION TITLE	<u>22-23</u>	<u>23-24</u>	EXPENDITURES	EXPENDITURES	
Benefits					
Operating					
Travel					
Capital outlay					
Aid					
Capital improvements					
TOTAL					

FISCAL NOTE