PREPARED BY: DATE PREPARED: PHONE: John Wiemer January 31, 2024 402-471-0051

LB 1415

Revision: 00

## **FISCAL NOTE**

## **LEGISLATIVE FISCAL ANALYST ESTIMATE**

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)						
	FY 202	FY 20	25-26			
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE		
GENERAL FUNDS	\$156,874	(\$1,158,764,800)		(\$1,129,214,800)		
CASH FUNDS	\$1,723,900,000	\$1,723,900,000	\$1,778,588,000	\$1,778,588,000		
FEDERAL FUNDS						
OTHER FUNDS						
TOTAL FUNDS	\$1,724,056,874	\$565,135,200	\$1,778,588,000	\$649,373,200		

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

LB 1415 would establish the Property Tax Relief Act. The purpose of the Act would be to provide state funding directly to school districts, counties, cities, and villages in exchange for direct property tax relief.

For FY 2024-25 and each fiscal year after, school districts and counties would receive disbursement from the state. The amount disbursed to each school district and county would be equal to the amount available for disbursement multiplied by the ratio of the real property valuation in the school district or county to the real property valuation in the state. For school districts in FY 2024-25, the amount available for disbursement would be \$989,600,000. For FY 2025-26 and after, the amount available for disbursement would be the amount disbursed in the prior fiscal year plus 3%. For counties in FY 2024-25, the amount available for disbursement would be \$437,200,000. For FY 2025-26 and after, the amount available for disbursed in the prior fiscal year plus \$15 million.

For FY 2024-25 and each fiscal year after, municipalities would receive disbursement from the state. The amount disbursed to each municipality would be equal to the amount available for disbursement multiplied by the ratio of the real property valuation in the municipality to the real property valuation of all municipalities. For municipalities in FY 2024-25, the amount available for disbursement would be \$297,100,000. For FY 2025-26 and after, the amount available for disbursement would be the amount disbursed in the prior fiscal year plus \$10 million.

By September 15, the Department of Revenue (DOR) would determine the amount to be disbursed to the political subdivisions in the Act and certify such amounts. The disbursements would occur in two equal payments, the first on or before January 31 and the second on or before April 1. Amounts disbursed would be shown as budgeted non-property-tax receipts and would be deducted prior to calculating the property tax request in the political subdivision's budget statement as provided to the Auditor of Public Accounts.

The Act would establish the School District Property Tax Relief Cash Fund, the County Property Tax Relief Cash Fund, and the Municipal Property Tax Relief Cash Fund to be administered by the DOR and would be used for carrying out the Act. The funds would consist of money transferred by the Legislature and gifts, grants, or bequests from any source. Thus, money to be disbursed would be transferred from the General Fund to each Cash Fund and then would be sent out to the proper political subdivision from the appropriate Cash Fund.

The DOR could adopt and promulgate rules and regulations for purposes of carrying out the Act.

The bill also would make changes to the Nebraska Property Tax Incentive Act. The bill would remove the definition of allowable growth percentage from the Act and sunset the school district property tax credit under the act so it only applies to tax years before 2024.

The bill also removes language placing a limit on a transfer occurring regarding the Nebraska Transformational Project Fund before the total amount of refundable credits granted annually under the Nebraska Property Tax Incentive Act reach \$375 million.

The DOR estimates the following fiscal impact as a result of this bill:

**CONTINUED ON PAGE 2** 

Fiscal	GF Revenue	School Districts	Counties	Municipalities	Total GF
Year	Gain	SCHOOL DISTRICTS	School Districts Counties		Revenues
24-25	\$565,135,200	(\$989,600,000)	(\$437,200,000)	(\$297,100,000)	(\$1,158,764,800)
25-26	\$649,373,200	(\$1,019,288,000)	(\$452,200,000)	(\$307,100,000)	(\$1,129,214,800)
26-27	\$674,015,700	(\$1,049,866,640)	(\$467,200,000)	(\$317,100,000)	(\$1,160,150,940)
27-28	\$699,592,900	(\$1,081,362,639)	(\$482,200,000)	(\$327,100,000)	(\$1,191,069,739)
28-29	\$726,140,500	(\$1,113,803,518)	(\$497,200,000)	(\$337,100,000)	(\$1,221,963,018)
29-30	\$821,196,300	(\$1,147,217,624)	(\$512,200,000)	(\$347,100,000)	(\$1,185,321,324)

The DOR also estimates a need for a one-time programming charge of 156,874 to be paid to the Office of the Chief Information Officer (OCIO) as a result of this bill.

There is no basis to disagree with these estimates.

The State Treasurer's Office estimates no fiscal impact to it as a result of this bill. There is no basis to disagree with this estimate.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE					
LB: 1415	AM:	AGENCY/POLT. SUB: Department of Reven	ue		
REVIEWED BY:	Neil Sullivan	DATE: 1/31/2024	PHONE: (402) 471-4179		
COMMENTS: The Department of Revenue assessment of fiscal impact from LB 1415 appears reasonable. Cash fund revenue and expenditure would also increase by the amount of the General Fund transfers.					

ADMINIS	TRATIVE SERVIC	ES STATE BUDGET DIVISION: REVIEW	W OF AGENCY & POLT. SUB. RESPONSE	
LB: 1415	AM:	AGENCY/POLT. SUB: State T	reasurer	
REVIEWED BY	: Neil Sullivan	DATE: 1/30/2024	PHONE: (402) 471-4179	
COMMENTS: The State Treasurer assessment of no fiscal impact from LB 1415 appears reasonable.				

ADMINIS'	TRATIVE SERVIO	CES STATE BUDGET DIVISION: REVIEW	V OF AGENCY & POLT. SUB. RESPONSE	
LB: 1415	AM:	AGENCY/POLT. SUB: Lancas	ter County	
REVIEWED BY	: Neil Sullivan	DATE: 1/30/2024	PHONE: (402) 471-4179	
COMMENTS: No basis to disagree with the Lancaster County assessment of no fiscal impact from LB 1415.				

ADMINI	STRATIVE SERVIO	ES STATE BUDGET DIVISION: REVIEW	OF AGENCY & POLT. SUB. RESPONSE	
LB: 1415	AM:	AGENCY/POLT. SUB: Nebrask	a Association of County Officials	
REVIEWED B	Y: Neil Sullivan	DATE: 1/30/2024	PHONE: (402) 471-4179	
COMMENTS: The Nebraska Association of County Officials assessment of fiscal impact from LB 1415 appears reasonable except that this revenue increase should offset a reduction in property tax revenue collected from tax payers.				

TOTAL.....

<b>LB</b> (1)	141	5				FISCAL NOTE		
State Ag	ency OR I	Political Subdivision Name:	Nebraska Association of County Officials (NACO)					
Prepare	d by: (3)	Elaine Menzel	Date Prepared:	(4) 1/24/2024	Phone: (5)	402.434.5660		
		ESTIMATE PRO	OVIDED BY STATE AC	GENCY OR POLITIC	CAL SUBDIVIS	SION		
		<u>I</u> EXPENDITUR	FY 2024-25	e evdendi	FY 2025			
CENTER		·			TURES	REVENUE		
	RAL FUN		\$437,000,0			\$452,000,000		
CASH F	UNDS							
FEDER	AL FUNI	DS						
OTHER	R FUNDS							
TOTAI	FUNDS		\$437,000,0	<u> </u>		\$452,000,000		
Explana	tion of E	stimate:						
LB 141	5 would	adopt the Property Ta	x Relief Act and char	nge the Nebraska P	roperty Tax I	ncentive Act.		
and vil disburs the cou million Amoun	llages ir sements inty to the multiplie ts receiv	the Property Tax Relied exchange for direct from the state in the areal property valuation d by the ratio of the real property tax request in	t property tax relief. mount of \$437 million on in the state. For FY al property valuation in nust be shown as bud	For fiscal year 2 multiplied by the ra 2025-26, the disburn the county to the rageted non-property	2024-25, cou tio of the real rsement by the real property v r-tax receipts	nties would receive property valuation in e state would be \$452 valuation in the state. and deducted prior to		
	l Service:		BREAKDO	OWN BY MAJOR OB	JECTS OF EX	PENDITURE		
<u>r ersona</u>		ION TITLE	NUMBER OF POSITI <u>24-25</u> <u>25-9</u>			2025-26 EXPENDITURES		
Panafita	,							
	-			-				
		nents						

					_ ,	
		State Agency	Estimate			
State Agency Name: Department of	of Revenue				Date Due LFO:	
Approved by: James R. Kamm		Date Prepared:	01/30/2024		Phone: 471-5896	
	FY 20	24-2025	FY 202	25-202 <u>6</u>	FY 20	026-2027
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue
General Funds	\$156,874	\$(1,158,764,800)		\$(1,129,214,800)		\$(1,160,150,940)
Cash Funds						
Federal Funds						
Other Funds	•				•	
Total Funds	\$156,874	\$(1,158,764,800)		\$(1,129,214,800)		\$(1,160,150,940)

LB 1415 creates the Property Tax Relief Act (Act). The Act's purpose is to provide state funding directly to school districts, counties, cities, and villages in exchange for direct property tax relief.

For fiscal year 2024-25, school districts, counties, and municipalities will receive disbursements from the State as provide by the Act. The amount disbursed to each school district or county will equal the amount available for disbursement (see table below) under the Act multiplied by the ratio of the real property valuation in the school district or county to the real property valuation in the State. The amount disbursed to each municipality will equal the amount available for disbursement (see table below) under the Act multiplied by the ratio of the real property valuation in the municipality to the real property valuation for all municipalities.

The following provides the amount available for disbursement under the Act:

	FY2024-25		FY2025-26 and each fiscal year thereafter
For school districts	\$	989,600,000	Amount disbursed in prior fiscal year plus 3%
For counties	\$	437,200,000	Amount disbursed in prior fiscal year plus \$15 million
For municipalities	\$	297,100,000	Amount disbursed in prior fiscal year plus \$10 million

By September 15, the Nebraska Department of Revenue (DOR) must determine the amount to be disbursed under the Act to each school district, county, and municipality and certify such amounts to the State Treasurer and to each school district, county, and municipality. The disbursements must occur in two equal payments, which the first is on or before January 31 and the second on or before April 1.

Amounts received under the Act must be shown as budgeted non-property-tax receipts and must be deducted before calculating the property tax request in the school district's county, or municipality budget statement as provided to the Auditor of Public Accounts pursuant to Neb. Rev. Stat. § 79-1024 for school districts and § 13-508 for counties and municipalities.

Major Objects of Expenditure							
Class Code	Classification Title	24-25 <u>FTE</u>	25-26 <u>FTE</u>	26-27 <u>FTE</u>	24-25 Expenditures	25-26 Expenditures	26-27 Expenditures
Benefits							
Operating Costs	Operating Costs						
Capital Outlay							
Total	Capital Improvements						

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The Act creates the School District Property Tax Relief Cash Fund, the County Property Tax Relief Cash Fund, and the Municipality Property Tax Relief Cash Fund to be administered by DOR for purposes of carrying out the Act. Each fund consists of money transferred by the Legislature and gifts, grants, or bequests from any sources.

DOR may adopt and promulgate rules and regulations for purposes of carrying out the Act.

LB 1415 amends the Nebraska Property Tax Incentive Act. It sunsets the school district property tax credit under Neb. Rev. Stat. § 77-6703 as applying for taxable years beginning before January 1, 2024. In addition, LB 1415 repeals the allowable growth percentage definition and the provisions calculating the school property tax credits for taxable years beginning on or after January 1, 2024.

LB 1415 amends Neb. Rev. Stat. § 81-12,193 to repeal a limit on any transfer from occurring before the total amount of refundable credits granted annually under the Nebraska Property Tax Incentive Act reaches \$375 million in relation to the Nebraska Transformational Project Fund.

It is estimated that LB 1415 will have the following impact to the General Fund revenues:

		Gen	General Fund Transfer Out:			
Fiscal Year	GF Revenues Gain	School Districts	Counties	Municipalities	Total GF revenues	
FY24-25	\$ 565,135,200	\$ (989,600,000)	\$ (437,200,000)	\$ (297,100,000)	\$ (1,158,764,800)	
FY25-26	\$ 649,373,200	\$ (1,019,288,000)	\$ (452,200,000)	\$ (307,100,000)	\$ (1,129,214,800)	
FY26-27	\$ 674,015,700	\$ (1,049,866,640)	\$ (467,200,000)	\$ (317,100,000)	\$ (1,160,150,940)	
FY27-28	\$ 699,592,900	\$ (1,081,362,639)	\$ (482,200,000)	\$ (327,100,000)	\$ (1,191,069,739)	
FY28-29	\$ 726,140,500	\$ (1,113,803,518)	\$ (497,200,000)	\$ (337,100,000)	\$ (1,221,963,018)	
FY29-30	\$ 821,196,300	\$ (1,147,217,624)	\$ (512,200,000)	\$ (347,100,000)	\$ (1,185,321,324)	

LB 1415 will require a one-time programming charge of \$156,874 paid to the OCIO to remove a line from 1040N, NebFile for Individuals, 1120N, 1141N, and 1065N.

LB <sup>(1)</sup> 1415			FISCAL NOTE
State Agency OR Political Subdivision Name	State Treasurer		
Prepared by: (3) Jason Walters	Date Prepared: (4)	Jan. 23, 2024 Ph	one: (5) 402-471-2793
ESTIMATE PR	OVIDED BY STATE AGE	NCY OR POLITICAL SU	BDIVISION
EXPENDITU	<u>FY 2024-25</u> <u>RES</u> <u>REVENUE</u>	<u>EXPENDITURES</u>	<u>Y 2025-26</u> <u>REVENUE</u>
GENERAL FUNDS			
CASH FUNDS	<del></del>		
FEDERAL FUNDS	<del></del>	_	
		_	
OTHER FUNDS		_	
TOTAL FUNDS			
Explanation of Estimate:			
BREAKE Personal Services:	OOWN BY MAJOR OBJEC	TS OF EXPENDITURE	<del></del>
Tersonal Bervices.	NUMBER OF POSITION	S 2024-25	2025-26
POSITION TITLE	<u>24-25</u> <u>25-26</u>	EXPENDITURES	<u>EXPENDITURES</u>
Benefits			
Operating			
Travel			
Capital outlay			
Aid			
Capital improvements			
TOTAL			

<b>LB</b> (1)	1415	, )				FISCAL NOTE
State Agency OR Political Subdivision Name: (2)			Lancaster County (Budget & Fiscal)			
Prepar	ed by: (3)	Dennis Meyer	Date Prepared: (4)	1-26-24	Phone: (5)	402-441-6869
		ESTIMATE PROVI	DED BY STATE AGEN	NCY OR POLITICA	AL SUBDIVIS	SION
		FY	<b>2024-25</b>		FY 2025	-26
		EXPENDITURES		<u>EXPENDIT</u>		REVENUE
GENE	RAL FUN	DS		_		
CASH	FUNDS					
FEDEI	RAL FUN	DS		-		
OTHE	R FUNDS		-			
	L FUNDS					
Explan	ation of E	stimate:				
Person	al Service		VN BY MAJOR OBJECT	S OF EXPENDIT	<u>URE</u>	
		N	UMBER OF POSITION			2025-26
	POSIT	ION TITLE	<u>24-25</u> <u>25-26</u>	<u>EXPENDIT</u>	<u>URES</u>	<u>EXPENDITURES</u>
Benefit	ts					
Operat	ing					
Travel						
Capital	l outlay					
Aid						
Capital	l improver	nents				
ТО	TAL					