John Wiemer February 21, 2024 402-471-0051

# LB 1389

# Revision: 00 FISCAL NOTE LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)						
	FY 202	4-25	FY 2025-26			
	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.

LB 1389 would exempt qualified broadband equipment from personal property tax.

Broadband equipment would be qualified if:

- Deployed in an area funded in whole or in part by funds from the Broadband Equity, Access, and Deployment (BEAD) Program; or
- Deployed in a qualified census tract located within the corporate limits of a city of the metropolitan class and being utilized to provide end-users with access to the Internet at speeds of at least 100 megabits per second for downloading and at least 100 megabits per second for uploading.

An owner of broadband equipment seeking the exemption would apply for an exemption to the county assessor. If the broadband equipment would meet the necessary criteria, the county assessor would approve the application within 30 calendar days after receiving the application. The application would be on forms prescribed by the Tax Commissioner.

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

The Department of Revenue estimates no impact to General Fund revenues and minimal costs to it as a result of this bill. There is no basis to disagree with these estimates.

Political subdivisions are estimated to have property tax loss with exemptions granted as a result of this bill that would be limited to the qualified broadband exemption criteria detailed above.

A change in the taxable base for schools due to the exemption of property could have an impact on state aid under TEEOSA, but any such amount is indeterminate.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE					
LB: 1389	AM:	AGENCY/POLT. SUB: Douglas Co	ounty Assessor/Register of Deeds Office		
REVIEWED BY	: Joe Massey	DATE: 1/31/2024	PHONE: (402) 471-4181		
COMMENTS: No basis to disagree with the Douglas County Assessor/Register of Deeds Office's assessment of no fiscal impact from LB 1389					

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

LB: 1389	AM: AGENCY/POLT. SUB: Lancaster County (Budget & Fiscal)				
REVIEWED BY:	Joe Massey	DATE: 1/25/2024	PHONE: (402) 471-4181		
COMMENTS: No basis to disagree with the Lancaster County's (Budget & Fiscal) assessment of indeterminate impact					

COMMENTS: No basis to disagree with the Lancaster County's (Budget & Fiscal) assessment of indeterminate impact from LB 1389.

# ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE LB: 1389 AM: AGENCY/POLT. SUB: Lancaster County Assessor/Register of Deeds Office REVIEWED BY: Joe Massey DATE: 2/13/2024 PHONE: (402) 471-4181 COMMENTS: No basis to disagree with the Lancaster County Assessor/Register of Deeds Office's assessment of no fiscal impact from LB 1389

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE					
LB: 1389 AM: AGENCY/POLT. SUB: Nebraska Association of County Officials (NACO)					
REVIEWED B	REVIEWED BY: Joe Massey         DATE: 1/29/2024         PHONE: (402) 471-4181				
COMMENTS: No basis to disagree with the Nebraska Association of County Officials (NACO) assessment of fiscal impact from LB 1389.					

## Fiscal Note 2024

State Agency Estimate						
State Agency Name: Department of	Revenue				Date Due LFO:	
Approved by: James R. Kamm		Date Prepared:	02/20/2024		Phone: 471-5896	
	<u>FY 202</u>	4-2025	FY 202	5-2026	<u>FY 202</u>	6-2027
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue
General Funds		\$ 0		\$ 0		\$ 0
Cash Funds						
Federal Funds						
Other Funds						
Total Funds		\$ 0		\$ 0		\$ 0

**F** (\* )

**G** ( )

LB 1389 creates a personal property tax exemption for qualified broadband equipment.

To qualify for the property tax exemption, broadband equipment must be:

- Deployed in an area funded in whole or in part by funds from the Broadband Equity, Access, and Deployment Program, authorized by the federal Infrastructure Investment and Jobs Act, Public Law 117-58; or
- 2. Deployed in a qualified census tract located within the corporate limits of the city of the metropolitan class and being utilized to provided end-users with access to the internet at speeds of at least one hundred megabits per second for downloading and at least one hundred megabits for uploading.

An owner of broadband equipment seeking this property tax exemption must apply to the county assessor on a form provided by the Tax Commissioner on or before December 31 of the year preceding the year for which the exemption is to begin. The county assessor will review the application within thirty calendar days after receiving the application.

The operative date for LB1389 is three months after enactment.

It is estimated that LB1389 will have no impact on General Fund revenues.

It is estimated that there will be minimal cost to the Department of Revenue to implement this bill.

Major Objects of Expenditure								
<u>Class Code</u>	Classification Title	24-25 <u>FTE</u>	25-26 <u>FTE</u>	26-27 <u>FTE</u>	24-25 <u>Expenditures</u>	25-26 <u>Expenditures</u>	26-27 <u>Expenditures</u>	
Benefits								
Travel								
Capital Outlay								
Capital Improvement	ts							
Total			•••••					

LB <sup>(1)</sup> 1389			FISCAL NOTE
State Agency OR Political Subdivision Name: <sup>(2)</sup>	Douglas County A	ssessor/Register of De	eeds Office
Prepared by: <sup>(3)</sup> Michael Goodwillie	Date Prepared: <sup>(4)</sup>	1/25/2024 Phor	ne: (5) (402) 444-6703
ESTIMATE PROVI	DED BY STATE AGEN	NCY OR POLITICAL SUBI	DIVISION
	004.05	EV	0005 0C
<u>EXPENDITURES</u>	<u>2024-25</u> <u>REVENUE</u>	<u>EXPENDITURES</u>	<u>2025-26</u> <u>REVENUE</u>
GENERAL FUNDS			
CASH FUNDS			
FEDERAL FUNDS			
OTHER FUNDS			
TOTAL FUNDS			

**Explanation of Estimate: LB 1389 would provide an exemption from personal property taxes for broadband equipment deployed either in a Qualified Census Tract,** a geographic area in which at least 50% of households have an income less than 60% of the annual area median income, or an area funded in whole or in part by funds from the Broadband Equity, Access, and Deployment program. There would be an application for the exemption, filed with the county assessor each year and the assessor has thirty days to approve the application. There is no discussion of process—what happens if the application has property that does not qualify, or the property is not deployed in one of the two permitted locations? That makes it a bit difficult to estimate administrative costs.

All that said, the definition of broadband communication service includes telecommunications services. Telecommunications companies, in Neb. Rev. Stat. Sections 77-801 through 804, are state-assessed rather than locally assessed. At some point in this process then, the Nebraska Department of Revenue, the entity that assesses telecommunications companies would need to be involved in this process.

Currently, there are 23 companies doing business in Douglas County, receiving a central (state) assessment that would qualify as a broadband communication service under LB 1389. They have a total value of \$322,834,585. At an effective tax rate of 2%, that represents \$8,656,700 in property tax exemption. Because there are not many of these, we believe we could handle the requirements of LB 1389 with existing staff. But in all likelihood, the property for which the exemption is sought is part of what the state assesses for public service entities that are telecommunications companies, rather than property for which local personal property tax returns are filed.

### BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:				
	NUMBER OF	<b>F POSITIONS</b>	2024-25	2025-26
POSITION TITLE	<u>24-25</u>	25-26	<b>EXPENDITURES</b>	EXPENDITURES
Benefits				
Operating				
Travel				

Capital outlay		
1 0		
Aid		
Capital improvements		
TOTAL		
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				FISCAL NOTE
ical Subdivision Name: <sup>(2)</sup>	Lancaster County	(Budget & Fisca	)	
ennis Meyer	Date Prepared: <sup>(4)</sup>	1-25-24	Phone: <sup>(5)</sup>	402-441-6869
ESTIMATE PROVI	DED BY STATE AGEN	CY OR POLITICA	L SUBDIVIS	SION
FY Ø	2024-25		FY 2025	-96
EXPENDITURES	<u>REVENUE</u>	<b>EXPENDITU</b>	-	<u>REVENUE</u>
	ennis Meyer <u>ESTIMATE PROVI</u> <u>FY 4</u>	ennis Meyer Date Prepared: <sup>(4)</sup> ESTIMATE PROVIDED BY STATE AGEN <u>FY 2024-25</u>	ennis Meyer Date Prepared: <sup>(4)</sup> <u>1-25-24</u> <u>ESTIMATE PROVIDED BY STATE AGENCY OR POLITICA</u> <u>FY 2024-25</u>	cal Subdivision Name: (2)       Lancaster County (Budget & Fiscal)         ennis Meyer       Date Prepared: (4)       1-25-24       Phone: (5)         ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVIS         FY 2024-25       FY 2025

Explanation of Estimate:

Taxable value changes when exemptions are introduced or changed. No clear way to determine the amount of change in dollars.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE						
Personal Services:						
	NUMBER OF	<b>F POSITIONS</b>	2024-25	2025-26		
POSITION TITLE	<u>24-25</u>	25-26	<b>EXPENDITURES</b>	<b>EXPENDITURES</b>		
	-					
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Benefits						
Operating						
Travel						
Conital outlow						
Capital outlay						
Aid						
Capital improvements						
TOTAL						
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LB <sup>(1)</sup> 1389			FISCAL NOTE
State Agency OR Political Subdivision Name: <sup>(2)</sup>	Lancaster County	Assessor/Register o	of Deeds
Prepared by: <sup>(3)</sup> Dan Nolte	Date Prepared: <sup>(4)</sup>	01/18/2024 P	hone: <sup>(5)</sup> 402-441-7463
ESTIMATE PROVI	<u>DED BY STATE AGEN</u>	ICY OR POLITICAL SU	JBDIVISION
<u>FY s</u> EXPENDITURES	<u>2024-25</u> <u>REVENUE</u>	<u>l</u> EXPENDITURE	<u>FY 2025-26</u> S REVENUE
GENERAL FUNDS	<u>MEVENCE</u>		
CASH FUNDS			_
FEDERAL FUNDS			
OTHER FUNDS			
TOTAL FUNDS			

Explanation of Estimate: This legislation will have no fiscal impact on the Assessor/Register of Deeds budget.

<u>BREAKE</u>	<mark>OWN BY MA</mark> J	OR OBJECTS O	<u>F EXPENDITURE</u>			
Personal Services:						
	NUMBER OF POSITIONS		2024-25	2025-26		
POSITION TITLE	<u>24-25</u>	25-26	EXPENDITURES	<b>EXPENDITURES</b>		
Benefits						
Operating						
Travel						
Capital outlay						
Aid						
Capital improvements						
TOTAL						

LB <sup>(1)</sup> 1389					FISCAL NOTE
State Agency OR Po	litical Subdivision Name: <sup>(2)</sup>	Nebraska Association of County Officials (NACO)			
Prepared by: <sup>(3)</sup>	Elaine Menzel	Date Prepared: <sup>(4)</sup>	1/24/2024	Phone: <sup>(5)</sup>	402.434.5660
	ESTIMATE PROVI	<u>DED BY STATE AGEN</u>	ICY OR POLITICA	L SUBDIVIS	ION
	<u>FY :</u> EXPENDITURES	<u>2024-25</u> <u>REVENUE</u>	EXPENDIT	<u>FY 2025</u> <u>URES</u>	<u>-26</u> <u>REVENUE</u>
GENERAL FUND	s				
CASH FUNDS					
FEDERAL FUNDS	5				
OTHER FUNDS					
TOTAL FUNDS					
Explanation of Est	imate:				

LB 1389 would exempt broadband from personal property tax if such equipment is:

- (i) Deployed in an area funded in whole or in part by funds from the Broadband Equity, Access, and Deployment Program; or
- (ii) Deployed in a qualified census tract located within the corporate limits of a city of the metropolitan class and being utilized to provide end-users with access to the Internet at speeds of at least 100 megabits per second for downloading and at least 100 megabits per second for uploading.

Owners seeking an exemption must apply to the county assessor. The adjusted net book personal property is \$557,294,574 across the State for five fiber-optic telecommunications companies and one large telephone company that provides significant broadband services across the state. Such figure does not account for all small and large telephone companies that provide broadband services. The fiscal impact due to LB 1389 from just these six companies would be significant in at least 48 counties that levy a tax against centrally assessed property of telecommunications companies that provide broadband services; however, this number is very conservative because the analysis does not capture all of the centrally assessed telecommunications that could have exemptions. Conservatively, using such analysis, the tax shift in these 48 counties would be a total of approximately \$1.355 million annually.

Of note, the definition of broadband equipment is extensive and the legislation would result in an additional exemption in taxes, thus, a shift to other taxpayers not exempt from centrally assessed personal property taxes; a decrease in taxes collected; an inability for State and Federal unfunded mandates imposed upon counties to be fulfilled; a decrease in the ability of the counties to fund programs and services; and/or a combination of the listed scenarios.

#### BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:				
	NUMBER OF POSITIONS		2024-25	2025-26
POSITION TITLE	<u>24-25</u>	25-26	<b>EXPENDITURES</b>	EXPENDITURES
	<u> </u>	·		
	. <u> </u>			
Benefits				
Operating				
Travel				
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Capital outlay		
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Aid		
Capital improvements		
TOTAL		
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