

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)

	FY 2025-26		FY 2026-27	
	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 242 amends the definition of allowable growth under section 13-518.

The bill amends the Property Tax Growth Limitation Act.

Under the bill, the preliminary property tax request authority for each political subdivision shall be the amount of property taxes levied by the county board of equalization pursuant to section 77-1601 for such political subdivision in the prior fiscal year, less the sum of exceptions utilized in the prior year pursuant to subdivisions (1) to (9) of section 13-3404.

In addition to the preliminary property tax request authority, the political subdivision's property tax request authority may be increased by:

- The product of the amount of property taxes levied in the prior year, less the sum of exceptions utilized in the prior year pursuant to subdivisions (1) and (2) of section 13-3404 and the political subdivision's growth percentage; and
- The product of the amount of property taxes levied in the prior year, less the sum of exceptions utilized in the prior year pursuant to subdivisions (1) and (2) of section 13-3404 and the greater of zero or the inflation percentage.

The bill amends section 13-3404 to add subsections (8) through (10) to what a political subdivision may increase its property tax request authority by over the amount determined under section 13-3403.

Section 13-3405 is amended regarding elections for a political subdivision increasing its property tax request authority over the amount determined under section 13-3403. Under the bill, upon receipt of such recommendation or legal voter petition, the county clerk or election commissioner shall place such issue on the ballot at the next regularly scheduled election or a special election called for such purpose.

Section 13-3406 is amended to add that a political subdivision may choose to convert its accumulated amount of unused restricted funds authority existing on June 30, 2025, as determined in accordance with section 13-521, into unused property tax request authority. The amount converted may then be used by the political subdivision as unused property tax request authority for fiscal years beginning on or after July 1, 2025. The amount converted shall not exceed 5% of the total property taxes levied for the political subdivision in calendar year 2024.

The bill removes requirements for occupation taxes under section 18-1208 for cities of the metropolitan class, primary class, first class, second class, and villages. Section 18-1208 is also amended so that no later than 90 days after the end of the fiscal year, each municipality that imposes a new occupation tax or increases the rate of an existing occupation tax on or after the effective date of the bill shall provide an annual report on the collection and use of such occupation tax.

The bill amends section 77-1701 regarding what is to be included on county tax statements.

The bill amends the School District Property Tax Relief Act.

Under the bill, to determine the amount of the property tax credit for each parcel, the county treasurer shall multiply the amount disbursed to the county under subsection (4) of this section by the ratio of the school district taxes levied in the current year on the parcel to the school district taxes levied in the current year on all real property in the county. This is a change from prior year language under current law. The amount so determined shall be the property tax credit for the parcel.

The bill also amends the Act so that, after retaining 1% of the amount received by the county for costs, the county treasurer shall disburse the remaining funds.

The bill contains the emergency clause.

The Auditor of Public Accounts estimates that it can handle changes under this bill within current resources. There is no basis to disagree with this estimate.

The Department of Revenue estimates the bill will have no impact on General Fund revenues and no cost to it to implement the bill. There is no basis to disagree with this estimate.

The Lancaster County Treasurer and the Nebraska Association of County Officials (NACO) estimate additional revenue to counties from the 1% fee added under the bill regarding the property tax credit connected to school districts. NACO also estimates a decrease in costs for counties connected to programming as a result of the bill.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
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LB: 242	AM:	AGENCY/POLT. SUB: Department of Revenue
REVIEWED BY: Ryan Yang	DATE: 3/4/2025	PHONE: (402) 471-4178
COMMENTS: The Department of Revenue assessment of no fiscal impact from LB 242 appears reasonable.		

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
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LB: 242	AM:	AGENCY/POLT. SUB: Lancaster County Treasurer
REVIEWED BY: Ryan Yang	DATE: 1/23/2025	PHONE: (402) 471-4178
COMMENTS: No basis to disagree with the Lancaster County Treasurer assessment of a fiscal impact from LB 242.		

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
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LB: 242	AM:	AGENCY/POLT. SUB: Nebraska Association of County Officials
REVIEWED BY: Ryan Yang	DATE: 1/23/2025	PHONE: (402) 471-4178
COMMENTS: No basis to disagree with the Nebraska Association of County Officials assessment of a fiscal impact from LB 242.		

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
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LB: 242	AM:	AGENCY/POLT. SUB: Nebraska Auditor of Public Accounts
REVIEWED BY: Ryan Yang	DATE: 1/16/2025	PHONE: (402) 471-4178
COMMENTS: No basis to disagree with the Nebraska Auditor of Public Accounts assessment of a manageable fiscal impact from LB 242.		

State Agency OR Political Subdivision Name: ⁽²⁾ Lancaster County, Nebraska

Prepared by: ⁽³⁾ Dennis Meyer

Date Prepared: ⁽⁴⁾ 1/21/2025

Phone: ⁽⁵⁾ 402-441-6869

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	FY 2025-26		FY 2026-27	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS				

Explanation of Estimate:

LB34, recently passed during a special session, has yet to be fully implemented, and its effects have not been realized or analyzed in practice. While LB34 introduces mechanisms for property tax growth limitations and adjustments tied to growth and inflation percentages, the real-world financial impact on Lancaster County remains uncertain until it is actualized and operational.

LB242 builds upon the property tax framework by broadening the allowable growth factors to include improvements to real property, annexation, changes in property use, and increases in personal property valuation. It also introduces additional flexibility by allowing adjustments for public safety agreements, behavioral health and substance abuse prevention, and matching state and federal grants. However, similar to LB34, LB242 requires voter approval to exceed the property tax lid, which could delay implementation of these provisions.

Feature	LB34 (2024)	LB242
Growth Factors	Growth percentage, inflation.	Broad factors including construction, annexation, and personal property.
Public Safety Flexibility	General budgetary flexibility.	Adjustments for public safety threats and agreements.
Voter Approval for Exceeding Lid	Required for increases beyond limit.	Required for increases beyond limit.
Unused Authority Carryover	Allowed (5% cap).	Allowed (5% cap) with restricted fund conversion.
Specific Adjustments for Grants	Not mentioned.	Includes matching state and federal grants.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

POSITION TITLE	NUMBER OF POSITIONS		2025-26	2026-27
	25-26	26-27	EXPENDITURES	EXPENDITURES

Benefits.....				
Operating.....				
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
TOTAL.....				

State Agency OR Political Subdivision Name: ⁽²⁾ Lancaster County Treasurer

Prepared by: ⁽³⁾ Rachel Garver

Date Prepared: ⁽⁴⁾ Jan. 22, 2025

Phone: ⁽⁵⁾ 402-441-7425

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	FY 2025-26		FY 2026-27	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS		\$1,086,276		\$1,125,270
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS		\$1,086,276		\$1,125,270

Explanation of Estimate:
The revenue is the one percent fees retained by the county treasurer from the disbursement amount of the school tax credits from the State.
It was calculated based on relief grant numbers from 2024. Amount allocated to Lancaster County: \$107,781,084 less the amount calculated to date to be returned to the State: \$3,331,475, netting in \$104,449,609. Which if Lancaster was allowed to retain a one percent fee it would be \$1,044,496. The calculation for 25-26 uses a four percent growth in the amount of relief granted less the approximate three percent returned to the State. The calculation for 26-27 was based a slightly less than a 3.6 percent growth in the relief granted.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:				
POSITION TITLE	NUMBER OF POSITIONS		2025-26	2026-27
	25-26	26-27	EXPENDITURES	EXPENDITURES
Benefits.....				
Operating.....				
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
TOTAL.....				

State Agency OR Political Subdivision Name: ⁽²⁾ Nebraska Association of County Officials

Prepared by: ⁽³⁾ Elaine Menzel

Date Prepared: ⁽⁴⁾ 1/21 /2025

Phone: ⁽⁵⁾ 402.434.5660

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	FY 2025-26		FY 2026-27	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS				

Explanation of Estimate:

LB242 makes several technical changes to LB34 from last year’s special session. First, it harmonizes the definition of growth in the Budget Act with the definitions of growth in the Property Tax Growth Limitation Act and the Property Tax Request Act. It also makes a technical change to the calculation of any allowable increase to the political subdivision’s preliminary property tax request authority. It further provides exceptions to the property tax cap for: the amount of property taxes budgeted for substance abuse prevention and behavioral health; property taxes budgeted for matching state and federal grants; and property taxes needed to replace any revenue streams eliminated or reduced through legislative action. It also provides a transition for unused budget authority under the former lid on restricted funds to unused authority under the property tax cap. It clarifies how to calculate the amount of property taxes budgeted to fund public safety services, as that amount appears on the property tax statement. As a final matter, it makes explicit that the county treasurer retains 1% of the credits distributed under the School Property Tax Property Tax Relief Act and provides for application of credits determined by the prior year’s school property tax levies to taxes levied on parcels in the current year.

The treasurer’s collection fee is 1% of a statewide distribution estimated to be \$750 million in the 2025 property tax year. This would represent \$7.5 million in commissions for counties statewide that would go to the county general fund. Changing the distribution of credits to taxes levied on parcels in the current year instead of the prior year will result in not having to program and sort from the prior year’s tax cycle. In 2024, such programming could have cost counties \$18,000 statewide.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

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

State Agency Estimate

State Agency Name: Department of Revenue				Date Due LFO:				
Approved by: James R. Kamm				Date Prepared: 02/28/2025		Phone: 471-5896		
	<u>FY 2025-2026</u>			<u>FY 2026-2027</u>			<u>FY 2027-2028</u>	
	<u>Expenditures</u>	<u>Revenue</u>		<u>Expenditures</u>	<u>Revenue</u>		<u>Expenditures</u>	<u>Revenue</u>
General Funds		\$ 0			\$ 0			\$ 0
Cash Funds								
Federal Funds								
Other Funds								
Total Funds		\$ 0			\$ 0			\$ 0

LB 242 amends the Property Tax Growth Limitation Act and changes how a political subdivision can increase its property tax authority by:

1. The product of (a) the amount of property taxes levied in the prior year less the sum of exceptions used in the prior year for the amount of property taxes budgeted for approved bonds and needed to respond to an emergency in the prior year and (b) the growth percentage of the political subdivision; and
2. The product of (a) the amount of property taxes levied in the prior year less the sum of exceptions used in the prior year for the amount of property taxes budgeted for approved bonds and needed to respond to an emergency in the prior year and (b) the greater of zero or the inflation percentage.

LB 242 adds three additional exceptions allowing a political subdivision to increase its property tax request authority over the limit designated above by the amount of property taxes:

1. Budgeted for substance abuse prevention, behavioral health, and opioid use prevention;
2. Budgeted for matching state and federal grants;
3. Needed to replace any revenue stream collected in the prior year that was eliminated or reduced through legislative action.

LB 242 removes the requirement for a political subdivision to hold an election to increase its property tax request authority on a certain date when it's an odd numbered year. Additionally, the bill adds the ability for a political subdivision to convert its unused restricted funds as of June 30, 2025, into unused property tax request authority starting in fiscal years beginning July 1, 2025, with a limitation of converted authority not exceeding 5% of property taxes levied by the political subdivision in calendar year 2024.

The bill removes requirements for imposing an occupation tax for metropolitan, primary class, first and second-class cities.

On a property tax statement, LB 242 removes the requirement to include the levy rate for each political subdivision to fund public safety services and now requires the property taxes due for each political subdivision to fund public safety services no matter if the amount is an exception to the political subdivision's property tax request authority.

The bill allows the county treasurer to now keep 1% of the distributed amount.

Major Objects of Expenditure

Class Code	Classification Title	25-26 FTE	26-27 FTE	27-28 FTE	25-26 Expenditures	26-27 Expenditures	27-28 Expenditures
Benefits.....							
Operating Costs.....							
Travel.....							
Capital Outlay.....							
Capital Improvements.....							
Total.....							

Finally, LB 242 makes changes to the credits received under the School, District Property Tax Relief Act by changing how county treasurers determine the amount of property tax credits that are disbursed to each parcel. Currently, the calculation is multiplying the credit amount distributed to the county by ratio of school district taxes levied in the prior year on the parcel to the school district taxes levied in the prior year on all real property in the county. LB 242 changes the ratio from being based on the school district taxes levied in the prior year to the school district taxes levied in the current year.

This bill contains an emergency clause and becomes law upon enactment.

It is estimated that LB 242 will have no impact on General Fund revenues.

It is estimated that there will be no cost to the Department of Revenue to implement this bill.

State Agency OR Political Subdivision Name: ⁽²⁾ Nebraska Auditor of Public Accounts

Prepared by: ⁽³⁾ Craig Kubicek

Date Prepared: ⁽⁴⁾ 1/15/2025

Phone: ⁽⁵⁾ 402-326-3063

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	FY 2025-26		FY 2026-27	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$0		\$0	
CASH FUNDS	\$0		\$0	
FEDERAL FUNDS	\$0		\$0	
OTHER FUNDS	\$0		\$0	
TOTAL FUNDS	\$0		\$0	

Explanation of Estimate:

If passed, we will handle such changes within our current resources.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE				
Personal Services:				
POSITION TITLE	NUMBER OF POSITIONS		2025-26	2026-27
	25-26	26-27	EXPENDITURES	EXPENDITURES
Benefits.....				
Operating.....				
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
TOTAL.....				