

# 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		(\$108,000)		(\$180,000)
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS		(\$108,000)		(\$180,000)

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

LB547 amends current definitions of a disabled veteran and a blind veteran as found in Nebraska §77-202.23, to align with the more expansive federal definition found in 5 U.S.C. 2108, as the section existed on January 1, 2025. Thus, a disabled veteran would mean:

- 1) An individual who has served on active duty in the armed forces, been separated therefrom under honorable conditions, and has established the present existence of a service-connected disability; or
- 2) An individual who is receiving compensation, disability retirement benefits, or pension because of a public statute administered by the Department of Veterans Affairs or a military department.

Additionally, this bill would define a blind veteran as a veteran whose sight is defective to the point that it seriously limits the veteran's ability to engage in the ordinary vocations and activities of life. With the broader definition of both a disabled veteran and a blind veteran, more veterans would qualify as exempt from motor vehicle tax for one personal vehicle (owned and used by the veteran) under Nebraska §60-3,185. Finally, LB547 would qualify more disabled veterans and blind veterans as exempt from mobile home taxation under Nebraska §77-202.24. The bill's operative date is January 1, 2026.

### Revenues:

The Nebraska Department of Motor Vehicles (DMV) is estimating a revenue loss to their agency in FY2025-26 of \$180,000 and a revenue loss of \$180,000 in FY2026-27. This loss would impact the DMV's Vehicle Title and Registration System Replacement and Maintenance Cash Fund, which receives a 1% of the motor vehicle tax collected. The DMV has estimated the total reduction in motor vehicle tax to be \$18 million, which is allocated to the DMV, municipalities, and schools. The revenue loss would be a result of an increase in the number of disabled veterans and blind veterans eligible for a motor vehicle tax exemption. The DMV approximates 40,000 of the 43,465 veterans (as estimated by the U.S. Dept. of Veterans Affairs) would utilize the motor vehicle tax exemption. The average motor vehicle tax savings per veteran is estimated to be \$450. While the full revenue loss in the second year of the biennium is reasonable, FY2025-26 should be a partial loss of the year's revenue due to the operative date of this bill being January 1, 2026.

LFO has estimated the impact of the revenue loss to the DMV, municipalities, and schools (based on NE §60,3-186) in the table below:

LFO's Estimated MV Tax Revenue Losses	FY2025-26	FY2026-27
	(6 months / approx. 60% of the yearly revenue)	(full 12 months of the yearly revenue)
DMV Vehicle Title Registration Modernization Fund (1%)	\$ (108,000)	\$ (180,000)
Motor Vehicle Tax - Commission to County (1%)	\$ (108,000)	\$ (180,000)
Motor Vehicle Tax - Cities and Counties (40% of remainder)	\$ (4,233,600)	\$ (7,056,000)
Motor Vehicle Tax - Schools (60% of remainder)	\$ (6,350,400)	\$ (10,584,000)
MV Tax Total Impact from proposed changes	\$ (10,800,000)	\$ (18,000,000)

The 40% allocated to Cities and Counties is distributed according to the tax district in which the motor vehicle has situs, as follows:

- 1) All 40% to the county, when the tax district is not in a city or village;
- 2) 22% to the county and 18% to a city or village; and
- 3) If the county contains a city of the metropolitan class, then 18% to the county, and 22% to the city or village.

In the LFO table above, the first six months of the calendar year 2026 (the last half of fiscal year 2025-26) is being shown as 60% of the total net revenue loss in one year. This is because the operative date of the bill is January 1, 2026 and the monthly taxes collected in January, February, and March are generally higher than in other months. Thus, the amounts shown are 60% of a full calendar year, rather than 50%. Then, in FY2026-27 the full effect of an entire year of revenue loss is shown.

The reduction shown for motor vehicle taxes going to school districts, will lower their incoming revenue, and thus cause more Tax Equity and Educational Opportunities Support Act (TEEOSA) formula funding to be needed for equalized schools. This is due to the fact that NE §60,3-186 requires the proceeds from motor vehicle taxes be treated as property tax revenue, which is considered as "other receipts" in the TEEOSA formula. The actual impact amounts to the state for this drop in motor vehicle tax going to schools cannot be determined at this time. However, a reduction in the incoming tax revenue for schools of \$6,350,400 in FY2025-26 and a reduction of \$10,584,000 in FY2026-27 would create an increase in General Funds needed from the state for TEEOSA calculations beginning in FY2027-28. This could cause an increase in property taxes levied for school funding. Additionally, more disabled veterans and blind veterans qualifying for a mobile home property tax exemption, would correspond with a reduction in the property taxes levied in some political subdivisions. This revenue loss to the political subdivisions is indeterminate at this time.

The Nebraska Association of County Officials (NACO) ) is estimating a motor vehicle tax revenue loss to the cities, counties, and schools totals \$10,692,000 in FY2025-26 and \$17,820,000 in FY2026-27. This amount includes the loss of 1% commission to the counties for collecting the motor vehicle tax, a 40% loss of revenue to the cities and counties, and 60% loss of revenue to the schools.

The Nebraska Department of Revenue (NDOR) has specified insignificant expenses for the implementation of this bill.

There is no basis to disagree with these estimates of fiscal impact from the DMV, NACO, nor NDOR, given the assumptions used.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB: 547	AM:	AGENCY/POLT. SUB: Department of Revenue	
REVIEWED BY: Ryan Yang		DATE: 3/12/2025	PHONE: (402) 471-4178
COMMENTS: Concur with the Department of Revenue assessment of no fiscal impact from LB 547.			

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB: 547	AM:	AGENCY/POLT. SUB: Department of Motor Vehicles	
REVIEWED BY: Ryan Yang		DATE: 1/28/2025	PHONE: (402) 471-4178
COMMENTS: No basis to disagree with the Department of Motor Vehicles assessment of fiscal impact from LB 547.			

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB: 547	AM:	AGENCY/POLT. SUB: Nebraska Association of County Officials	
REVIEWED BY: Ryan Yang		DATE: 3/12/2025	PHONE: (402) 471-4178
COMMENTS: No basis to disagree with the Nebraska Association of County Officials assessment of fiscal impact from LB 547.			

State Agency OR Political Subdivision Name: <sup>(2)</sup> Department of Motor Vehicles

Prepared by: <sup>(3)</sup> Bart Moore

Date Prepared: <sup>(4)</sup> January 24, 2025

Phone: <sup>(5)</sup> 402-471-3902

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	FY 2025-26		FY 2026-27	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS		(180,000)		(180,000)
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS		(180,000)		(180,000)

Explanation of Estimate:

This legislation will reduce Motor Vehicle Tax collections for the state. The impact to the Department will be a reduction of revenue from these tax collections for the Vehicle Title and Registration Modernization project that receives 1% of these funds.

The DMV estimates that 40,000 of the 43,465 veterans receiving disability compensation (provided by the Department of Veteran Affairs) will utilize this exemption. For purposes of this calculation, we will use an average motor vehicle tax of \$450 per vehicle and one vehicle per veteran.

These estimates result is a reduction of motor vehicle tax collections of \$18,000,000 per fiscal year. The revenue reduction to the Vehicle Title and Registration Modernization Project is 1% of this amount or \$180,000.

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.....				

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**2025**

**LB<sup>(1)</sup> 547**

**FISCAL NOTE**

State Agency OR Political Subdivision Name: <sup>(2)</sup> Nebraska Association of County Officials

Prepared by: <sup>(3)</sup> Elaine Menzel Date Prepared: <sup>(4)</sup> 1/28 /2025 Phone: <sup>(5)</sup> 402.434.5660

**ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION**

	<b><u>FY 2025-26</u></b>		<b><u>FY 2026-27</u></b>	
	<b><u>EXPENDITURES</u></b>	<b><u>REVENUE</u></b>	<b><u>EXPENDITURES</u></b>	<b><u>REVENUE</u></b>
GENERAL FUNDS	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
CASH FUNDS	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
FEDERAL FUNDS	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
OTHER FUNDS	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
TOTAL FUNDS	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>

**Explanation of Estimate:**

LB547 would change the definition of “disabled veteran” for the purpose of receiving an exemption from the motor vehicle tax to mirror the definition found in the current U.S. Code. The number of individuals eligible under the proposed definition of disabled veterans under LB547 would be increased by approximately 43,500 veterans in Nebraska based on information from the U.S. Dept. of Veterans Affairs. Of the 43,500 veterans, it is estimated that only 40,000 would make use of this exemption. Information from the Department of Motor Vehicles (DMV) indicates that the average exemption is for \$450 of tax; when multiplied times 40,000 veterans, this would be \$18,000,000 of total revenue lost.

Currently, one percent of the total amount collected is retained by the county for costs incurred (in the manner of a commission). An additional one percent of the total is retained by the DMV. With total losses of taxes and collections of \$10,654,000 in the last six months of FY2025-2026 and \$18,000,000 in FY2026-2027 in motor vehicle tax revenue, counties would lose an additional \$106,540 in FY2025-2026 and \$180,000 in FY2026-2027 in commissions.

Based upon financial projections from similar legislation introduced in 2021 (LB10), for the first half of the calendar year of enactment and last half of the fiscal year, there would be an impact of approximately a 60% (used rather than 50% because greater number of sales due to holiday and tax season) decrease in the commission on motor vehicle tax distribution of counties, or \$106,540 (1% of the total loss of \$10,654,000). - Forty percent of the overall loss would go to counties and cities (\$4,261,600) and 60% to schools (\$6,392,400).

For the second year there would be a decrease in the commission on motor vehicle tax distribution of counties by approximately \$180,000 (1% of the total loss of \$18,000,000) - forty percent of the overall loss would go to counties and cities (\$7,056,000), and 60% to schools (\$10,584,000).

The bill has an operative date of January 1, 2026. Because counties’ fiscal years are from July 1 to June 30, there would be some adjustments that counties would have to make for their FY24-25 budgets, but this cost would be negligible.

**BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE**

**Personal Services:**

<b><u>POSITION TITLE</u></b>	<b><u>NUMBER OF POSITIONS</u></b>		<b><u>2025-26</u></b>	<b><u>2026-27</u></b>
	<b><u>25-26</u></b>	<b><u>26-27</u></b>	<b><u>EXPENDITURES</u></b>	<b><u>EXPENDITURES</u></b>
<u>                                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<u>                                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>

<b>Benefits</b> .....	_____	_____	_____	_____
<b>Operating</b> .....			_____	_____
<b>Travel</b> .....			_____	_____
<b>Capital outlay</b> .....			_____	_____
<b>Aid</b> .....			_____	_____
<b>Capital improvements</b> .....			_____	_____
<b>TOTAL</b> .....			_____	_____

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Phone: 471-5896

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