

Revised per response from Dept. of Revenue

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2024-25		FY 2025-26	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS			\$2,200,000	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS			\$2,200,000	

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

This fiscal note has been updated to reflect estimates from the Department of Revenue (DOR).

LB 73 would make changes to the Homestead Exemption Program.

The bill would make changes to section 77-3507 so that for exemption applications filed in calendar year 2025 and after the income eligibility amounts would be adjusted by the percentage change in the House Price Index published by the Federal Housing Finance Agency from the 12 months ending on August 31 of the year preceding the applicable calendar year.

The income eligibility amounts would be adjusted for cumulative change in the House Price Index published by the Federal Housing Finance Agency since 2014. If any amount is not a multiple of \$100, the amount would be rounded to the next lower multiple of \$100.

The DOR estimates the following increase to General Fund expenditures as a result of this bill.

- FY25: \$0
- FY26: \$2,200,000
- FY27: \$2,400,000

The DOR estimates minimal costs to it as a result of the bill.

There is no basis to disagree with these estimates by the DOR.

The Douglas County Assessor/Register of Deeds Office estimates additional personnel as a result of the bill.

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2024

LB⁽¹⁾ 73—Special Session

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Douglas County Assessor/Register of Deeds Office

Prepared by: ⁽³⁾ Michael Goodwillie Date Prepared: ⁽⁴⁾ 7/31/2024 Phone: ⁽⁵⁾ 402 444-6703

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2024-25</u>		<u>FY 2025-26</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	<u>\$23,275.20</u>	<u> </u>	<u>\$23,852.30</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>\$23,275.20</u>	<u> </u>	<u>\$23,852.30</u>	<u> </u>

Explanation of Estimate:

LB 73 would, beginning in 2025, replace the CPI with the HPI as the adjustment mechanism for the income eligibility tables for the homestead exemption program. Homestead eligibility has an income test and, as income increases, the percentage exemption declines in increments of ten percent. As an example, the household income for a homestead applicant in the over-65 category who is married to be 100% exempt, based on income, is \$41,000.99. That same applicant would be ineligible, based on income, when household income exceeds \$60,901. The amounts vary depending on marital status (married households have higher income limits than single) or whether someone is a disabled veteran or disabled person (those income amounts are higher in both the married and single categories). Every year, the income tables are adjusted by the Nebraska Department of Revenue based on the Consumer Price Index. LB 73 would replace the CPI with the Housing Price Index (HPI) as the measure by which the income tables are adjusted.

In looking at the practical implications of the bill, in recent years, the HPI has moved faster than the CPI. For example, from March of 2023 to March of 2024, the CPI increased by 3.5% and the HPI by 6.2%. So using the HPI would increase the income amounts by more than the CPI would, as long as that index is increasing faster than the CPI. That has been the trend in recent years, although there have been times in the past where that was not true.

It is hard to estimate the impact of the bill. For one thing, the Department of Revenue does the income review of homestead exemptions. We do know that for 2023, 712 homestead applications were denied by the Department of Revenue, we think based on income. So, if the income eligibility limits were to increase, some portion of those 712 denied applications might qualify. What is hard to estimate is the number of potential applicants who took a look at the income tables, saw that their income was too high to qualify for even a partial exemption, and chose not to apply at all. It is even harder to estimate how many would qualify under a new income limit that might be two or three percentage points higher than if using the CPI. The sense is that there would be more applicants, more value exempted, and additional tax loss. But determining how many would fit under newer, slightly higher, income eligibility amounts with any kind of accuracy would require more detailed demographic and income information than our office has.

Our office thinks there would be more applicants with higher income limits but because there is still a top end cap on eligibility, not a huge number more—something similar to the number denied based on income of 700. That would require about half the time of a new staff person—currently we process close to 15,000 applications with nine full-time staffers.

For estimate’s sake, with regard to the tax loss, assume that the 712 that were denied based on income for 2023 were reasonably close to being at least partial qualifiers. Using the average value of a single-family home in Douglas County, that we might expect to be near \$272,000 and expecting those who were denied and

might now qualify to be partial qualifiers with a slightly higher income amount. Some of those 712 still might not qualify, but there might be others who weren't applying who now are. But using 700 applicants as 20% qualifiers and an average value of \$272,000 represents \$29,680,000 in newly exempt value. Multiplied by a tax rate of 2.245%, that would provide a "tax loss" to political subdivisions of \$666,316 in Douglas County.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2024-25</u>	<u>2025-26</u>
	<u>24-25</u>	<u>25-26</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Assessor Support Tech	1/2	1/2	\$23,275.20	\$23,852.30
Benefits.....				
Operating.....				
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
TOTAL.....			\$23,275.20	\$23,852.30

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2024

LB⁽¹⁾ 73

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Lancaster County Assessor/Register of Deeds

Prepared by: ⁽³⁾ Dan Nolte Date Prepared: ⁽⁴⁾ 7/30/24 Phone: ⁽⁵⁾ 402-441-7463

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2024-25</u>		<u>FY 2025-26</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	=====	=====	=====	=====

Explanation of Estimate:

This legislation does not appear to have a fiscal impact on this office.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

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

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2024

LB⁽¹⁾ 73

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Lancaster County (Budget & Fiscal)

Prepared by: ⁽³⁾ Kevin Nelson Date Prepared: ⁽⁴⁾ 7/30/2024 Phone: ⁽⁵⁾ 402-441-7448

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2024-25</u>		<u>FY 2025-26</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	=====	=====	=====	=====

Explanation of Estimate:

For the fiscal year ended June 30, 2024, property tax revenue for property with a homestead exemption amounted to \$2.9M. The impact of this bill on that revenue stream to Lancaster County cannot be easily determined at this time. This bill would have minimal fiscal impact on the expenditures of Lancaster County.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

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