

PREPARED BY: John Wiemer  
 DATE PREPARED: February 20, 2024  
 PHONE: 402-471-0051

**LB 1346**

Revision: 00

**FISCAL NOTE**  
**LEGISLATIVE FISCAL ANALYST ESTIMATE**

<b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES</b> (See narrative for political subdivision estimates)				
	<b>FY 2024-25</b>		<b>FY 2025-26</b>	
	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 1346 would allow for a property tax exemption under charitable organizations for an owner of a qualified affordable housing development that would consist of at least five residential units and would include one or more eligible units.

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

The Department of Revenue estimates no impact on General Fund expenditures with minimal costs to the DOR to implement the bill. There is no basis to disagree with this estimate.

Political subdivisions could see a decrease in tax revenue as a result of the possible exemptions under this bill.

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.



- The total number of residential units in the development.
- The number of residential units in the development that are eligible units as defined in LB 1346.
- The targeted income level for tenants of the eligible units, expressed as a percentage of area median income; and
- The date when the eligible units were constructed or made subject to rent restrictions.

It is estimated that LB 1346 will have no impact on the General Fund expenditures.

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

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

Please complete ALL (5) blanks in the first three lines.

2024

LB<sup>(1)</sup> 1346

FISCAL NOTE

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

Prepared by: <sup>(3)</sup> Michael Goodwillie Date Prepared: <sup>(4)</sup> 1/25/2024 Phone: <sup>(5)</sup> (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	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

Explanation of Estimate: LB 1346 would provide property tax exemptions for the owners of qualified affordable housing developments. The bill characterizes the owner of such a development as a charitable organization. The housing development would have to have five or more units and the percentage of the units that are targeting tenants who have incomes at certain percentages of the area median income. Eligible units that target tenants earning no more than 50% of the area median income would be fully exempt. There would be an annual application. The bill uses the framework of the application process for “permissive exemptions”, property owned by charitable, educational, religious, and cemetery organizations.

A couple of issues stand out initially that might affect administration of the bill. It defines the owner of such developments as charitable organizations but it does not alter the requirement that the property for which the exemption is sought cannot be used for gain or profit to the owner or user. Since these types of property developments are generally for-profit entities, there is a conflict between two parts of the five-part test for exemption set forth in Neb. Rev. Stat. Section 77-202.

The scope of the exemption is not entirely clear. The bill talks about units that “target” eligible tenants. Is targeting tenants with a certain level of income the same as actually renting to tenants with that income? In other words, are you eligible for the exemption because you have “targeted” a certain class of tenants even if some of those units are rented to people with higher incomes?

Initially, because we are able to value all of these with current staff, we believe we can process the potential applications with existing staff and, at this point, see no additional cost administratively. There appear to be 121 parcels of real property in Douglas County with 5 units or more, and 5,069 total units, having a value of \$197,265,400. That would be the outer limits of the value of the exemption, if all of those units were targeted to tenants earning no more than 50% of the area median income. We do not know, at this point if all of those parcels would fit that description or what the mix would be of units targeting those with slightly higher incomes that would merit partial exemption.

**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>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____

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

Please complete ALL (5) blanks in the first three lines.

**2024**

**LB<sup>(1)</sup> 1346**

**FISCAL NOTE**

State Agency OR Political Subdivision Name: <sup>(2)</sup> Lancaster County (Budget & Fiscal)

Prepared by: <sup>(3)</sup> Dennis Meyer Date Prepared: <sup>(4)</sup> 1-25-24 Phone: <sup>(5)</sup> 402-441-6869

**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:

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:

<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.....	_____	_____	_____	_____

Please complete ALL (5) blanks in the first three lines.

**2024**

**LB<sup>(1)</sup> 1346**

**FISCAL NOTE**

State Agency OR Political Subdivision Name: <sup>(2)</sup> Lancaster County Assessor/Register Of Deeds

Prepared by: <sup>(3)</sup> Dan Nolte Date Prepared: <sup>(4)</sup> 01/22/2024 Phone: <sup>(5)</sup> 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 appears to have only potential minor impact on the budget of 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.....	_____	_____	_____	_____

Please complete ALL (5) blanks in the first three lines.

2024

LB<sup>(1)</sup> 1346

FISCAL NOTE

State Agency OR Political 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 PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

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

Explanation of Estimate:

LB 1346 would provide a property tax exemption for qualified affordable housing developments that consists of at least five residential units.

An increase in property tax exemptions An increase in property tax exemptions, such as created by LB 1346, will result in an increased levy rate, which means a shift to those property owners not exempt from property taxes; a decrease in taxes collected; an inability to fulfill State and Federal unfunded mandates imposed upon counties; 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:

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