

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				
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 County 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 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 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.		

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

2024

LB⁽¹⁾ 1389

FISCAL NOTE

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

Prepared by: ⁽³⁾ Michael Goodwillie Date Prepared: ⁽⁴⁾ 1/25/2024 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	_____	_____	_____	_____
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:

<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⁾ 1389

FISCAL NOTE

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

Prepared by: ⁽³⁾ Dennis Meyer Date Prepared: ⁽⁴⁾ 1-25-24 Phone: ⁽⁵⁾ 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.....	_____	_____	_____	_____

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2024

LB⁽¹⁾ 1389

FISCAL NOTE

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

Prepared by: ⁽³⁾ Dan Nolte Date Prepared: ⁽⁴⁾ 01/18/2024 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 will have no fiscal impact on the Assessor/Register of Deeds budget.**

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⁽¹⁾ 1389

FISCAL NOTE

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

Prepared by: ⁽³⁾ Elaine Menzel Date Prepared: ⁽⁴⁾ 1/24/2024 Phone: ⁽⁵⁾ 402.434.5660

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:

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:

<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.....

_____	_____
_____	_____
_____	_____
_____	_____
_____	_____