

LB 1063 FISCAL NOTE

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FUND	EXPENDITURE	REVENUE
General		
Cash		
Federal		
Revolving		
TOTAL 1992-93		
TOTAL 1993-94		

THIS NOTE ASSUMES THE TAXABLE BASE FOR 1992 INCLUDES REAL PROPERTY, BUSINESS EQUIPMENT, LIVESTOCK AND INVENTORIES. THE EXEMPTIONS FOR RELIGIOUS AND EDUCATIONAL ORGANIZATIONS, LB 775 PROPERTY AND SOIL CONSERVATION EQUIPMENT ARE STILL EFFECTIVE.

LB 1063 proposes to tax depreciated tangible personal property at its cost less depreciation expenses claimed for federal income tax purposes (Net Book) if a constitutional amendment is passed. If a constitutional amendment is not passed, LB 1063 institutes language and procedures to tax all personal property except LB 775 property and soil conservation equipment. The bill also places schools under the lid provisions established for counties, cities and other political subdivisions, and repeals some of the exceptions to the lid provisions for schools. The remaining provisions change actual value to taxable, and eliminates provisions to intangible personal property.

The taxable valuation base for local governments will be adjusted depending on the passage of a constitutional amendment. If a constitutional amendment is adopted, the tax base will be changed as indicated for the 1992 tax base LB 1063 column. If the constitutional amendment is not passed, the current tax base for 1992 will be reflective of the value base.

The table on page two shows a historical tax base and projects a. property tax value base:

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	1991 Tax Base Includes Business Equip.	1992 Tax Base* Current	1992 Tax Base* LB 1063
REAL	\$45,225,693,471	\$46,582,464,275	\$46,582,464,275
PERSONAL	4,000,062,518	10,168,844,766	5,039,600,000
MV	4,814,886,644	4,959,333,243	4,959,333,243
	\$54,040,642,633	\$61,710,642,284	\$56,581,397,518
Taxes Levied	1,257,059,395	1,294,771,176	1,294,771,176
Average Levy	2.3261%	2.0981%	2.2883%

* The estimates assume a 3% growth in property values per year from 1991. The estimated tax base for 1992 assumes a 40% compliance factor for the personal property that will be subject to tax. LB 1063 ties depreciation claimed against the cost of property to federal depreciation expenses claimed, reducing federal taxable income providing an incentive to report accurately and objectively. It is estimated this correlation will increase reporting compliance to 60% versus 40% of the tax base. Without that connection it would be difficult to increase historical compliance statistics without added audit personnel for county assessors. Taxes levied are also increased 3% per year so the change in the levy isolates the impacts of the changing tax base.

Specific revenue impact to the Department of Revenue may include a small amount from the imposition of taxes on carline companies. This may add \$15,000 to the Tax Commissioner's revolving fund and \$485,000 to counties' general fund each year.

No specific enforcement provisions are mandated to the Department of Revenue, therefore, requiring no appropriation. However, counties may experience expenses to notify property taxpayers of the changes and issue additional tax statements. However, these expenses should not exceed \$500,000 in the first year. After that, current staff would change from current assessment practices to LB 1063 practices if a constitutional amendment is adopted. If the constitutional amendment is not adopted, the expenses for 1992 may cost \$2 million to implement and tax all personal property. However, these expenditures are currently taking place in some counties.