

## LB 1063 FISCAL NOTE

Revised on 3/11/92 based on amendments adopted through 3/10/92.

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FUND	EXPENDITURE	REVENUE
General	(\$3,404,500)	(\$8,133,000)
Cash		
Federal		
Revolving		
TOTAL 1992-93	(\$3,404,500)	(\$8,133,000)
TOTAL 1993-94	(\$3,414,200)	(\$3,080,000)

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 makes several changes to the state and local tax bases, each is briefly explained below:

LB 1063 proposes to tax depreciated tangible personal property at its cost less a 150% declining balance depreciation schedule (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 personal property. 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 relating 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:

CONTINUED ON PAGE 2

REVIEW/ANALYSIS - LEGISLATIVE FISCAL ANALYST Page 2

	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	4,950,000,000
MV	4,814,886,644	4,959,333,243	4,959,333,243
	\$54,040,642,633	\$61,710,642,284	\$56,491,797,518
Taxes Levied	1,257,059,395	1,294,771,176	1,298,271,176
Average Levy	2.3261%	2.0981%	2.2982%

The estimates assume a 3% growth in property values per year from 1991. Taxes levied are also increased 3% per year so the change in the levy isolates the impacts of the changing tax base. This includes an assumed \$3.5 million increase in taxes levied for counties to make up for reduction in state aid.

LB 1063 also allows a sales tax refund on new and used farm machinery purchases effective for all purchases after January 1, 1992. This may reduce net sales tax revenues by \$19.6 million in FY92-93 and \$14.7 million in FY93-94. To replace the revenue reduction, a new fee is instituted on all fertilizers and soil conditioners sold in the state. The tax is \$4 per ton of fertilizer sold. The tax would be paid by the purchaser and collected by the retailer. The tax is effective April 1, 1992. This may generate \$8.9 million in FY92-93 and this includes 2 months of revenue collected in FY91-92. In 1993-94, the fee may generate \$7.6 million in revenue. In addition to the fertilizer fee, the sales tax collection fee rates are adjusted. The proposed rates are 2 1/2% of the first \$3,000 sales tax remitted and .5% on remittances over \$3,000 per month. This may generate \$2.6 million in FY92-93 and \$4.02 million in FY93-94.

LB 1063 also reduces state aid to counties by \$3.5 million and changes the distribution formula to reduce county aid based on the value of agricultural equipment in each county.

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. The Department of Revenue will require an additional \$95,500 in FY92-93 and \$85,800 in FY93-94 to process the refunds and implement the fertilizer fee.

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.