PREPARED BY: DATE PREPARED: PHONE: Doug Gibbs March 03, 2015 402-471-0051

**LB 414** 

Revision: 00

## **FISCAL NOTE**

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT - STATE AGENCIES (See narrative for political subdivision estimates)								
	FY 201	5-16	FY 2016-17					
	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 414 amends Nebraska Revised Statutes Section 44-1095 to provide that the property of a society organized or licensed under Sections 44-1072 to 44-10,109 is exempt from property tax.

Section 44-1072 defines fraternal benefit society as any incorporated society, order, or supreme lodge, without capital stock, including one exempted under subdivision (1)(b) of Section 44-10,109 whether incorporated or not, conducted solely for the benefit of its members and their beneficiaries and not for profit, operated on a lodge system with ritualistic form of work, having a representative form of government, and which provides benefits in accordance with Sections 44-1072 to 44-10,109, is hereby declared to be fraternal benefit society.

The bill has an operative date of January 1, 2016.

There is no fiscal impact to the General Fund as a result of LB 414.

The Department of Revenue indicates no cost to the Department to implement LB 414.

We agree with the Department of Revenue's estimate of cost.

NOTE: Under current law, property owned by a charitable organization is exempt from property tax if the property is owned and used exclusively for charitable purposes.

## **IMPACT TO LOCAL POLITICAL SUBDIVISIONS:**

The City of Omaha estimates a loss to the city's general fund of \$309,098 each year.

The Nebraska Assoc. of County Officials indicates an indeterminate loss of revenue to counties where these organizations are located.

We have no basis to disagree with the City of Omaha or the Nebraska Association of County Officials.

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES						
LB: 414 AM: AGENCY/POLT. SUB: City of Omaha.						
REVIEWED BY: Lyn Heaton DATE: 3/3/2015 PHONE: 471-4181						
COMMENTS: No basis upon which to disagree with the City of Omaha estimate.						

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES							
LB: 414 AM: AGENCY/POLT. SUB: NE. Assoc. of County Officials (NACO)							
REVIEWED BY: Lyn	PHONE: 471-4181						
COMMENTS: It is reasonable to assume a tax exemption for fraternal benefit societies will result in a loss of tax revenue for							
counties and other local governments. However, no specific impact was cited by NACO.							

LB 414 Fiscal Note 2015

		State Agency	Estimate			_
State Agency Name: Departmen	nt of Revenue				Date Due LFA:	3/3/2015
Approved by: Len Sloup		Date Prepared:	3/3/2015		Phone: 471-5896	
	FY 2015	<u>5-2016</u>	FY 201	<u>6-2017</u>	FY 20	17-2018
	<b>Expenditures</b>	Revenue	Expenditures	Revenue	Expenditures	Revenue
General Funds		\$ 0		\$ 0		\$ 0
Cash Funds						
Federal Funds						
Other Funds						
Total Funds		\$ 0		\$ 0		\$ 0
i otai i unus		\$ 0		\$ 0		

LB 414 includes property tax in the general exemption from taxes provided by Neb. Rev. Stat. § 44-1095.

LB 414 would also amend § 77-202 to include fraternal benefit societies in the definition of charitable organization.

Under current law, property owned by a charitable organization is exempt from property tax if the property is owned and used exclusively for charitable purposes.

It is estimated that this bill will have no impact on General Fund revenues.

It is estimated that there will be no cost to the Department to implement this bill.

	Major Objects of Expenditure								
Class Code	Classification Title	15-16 <u>FTE</u>	16-17 <u>FTE</u>	17-18 <u>FTE</u>	15-16 Expenditures	16-17 Expenditures	17-18 Expenditures		
	Benefits.								
Operating Costs									
Travel									

Capital Outlay		
Aid		
Capital Improvements.		
Total		

<b>LB</b> <sup>(1)</sup> 414						FISCAL NOTE			
State Agency OR I	Political Subdivision Name: (2)	Nebras	Nebraska Association of County Officials (NACO)						
Prepared by: (3)	Prepared by: (3) Elaine Menzel		epared: (4) <u>1</u>	/20/2015	_ Phone: (5)	402-434-5660			
	ESTIMATE PROV	IDED BY STAT	TE AGENCY	OR POLITICAL	SUBDIVISIO	)N			
	I.S.	V 0015 16			EV 4016	17			
	<u>EXPENDITURE</u>	<u>Y 2015-16</u> <u>S</u> <u>RE</u> Y	<u>VENUE</u>	EXPENDIT	<u>FY 2016</u> <u>URES</u>	REVENUE			
GENERAL FUN	DS								
CASH FUNDS		<u> </u>							
FEDERAL FUNI	DS	<u></u>							
OTHER FUNDS									
TOTAL FUNDS									
Explanation of E	stimato								
		WN BY MAJO	R OBJECTS (	OF EXPENDITU	<u>rre</u>				
Personal Services		NUMBER OF P	POSITIONS	2015-10	8	2016-17			
POSIT	ION TITLE	15-16	<u>16-17</u>	EXPENDIT		<b>EXPENDITURES</b>			
Benefits									
Operating									
Travel									
Capital outlay									
Aid									
= =	nents								
TOTAL									

LB 414 would exempt real estate taxes and office equipment taxes from taxes for fraternal benefit societies. The impact of this legislation is unknown, but an expansion of exemptions would in turn result in a loss to the tax base causing a shift in taxes.

LB <sup>(1)</sup> 414	4							FISCAL NOTE			
State Agency O	R Political Subo	division Name: (2)	City	City of Omaha							
Prepared by: (3) Sheri Larsen			Date	Prepared: (4	_ Phone: <sup>(5)</sup>	402-444-5477					
	ES	<u> </u>	IDED BY	STATE AGE	NCY OR	POLITICA	L SUBDIVIS	ION			
		EW	0017 16				EV 0010	17			
	<u>E</u> :	XPENDITURES	<u>2015-16</u>	REVENUE	<u>I</u>	EXPENDITU	<u>FY 2016</u> JRES	REVENUE			
GENERAL FU	UNDS										
CASH FUNDS	- S				<del></del>						
FEDERAL FU	_										
OTHER FUN	_				<del></del>						
TOTAL FUN	_										
	=		=		_						
Explanation o	of Estimate:										
property tax		the past five ye	Fiscal Y	ear 2016 (309,098)	Fiscal \	o their Gen <u>/ear 2017</u> (309,098)	eral Fund:				
	Ochorar i a	ina revenue	Ψ	(000,000)	Ψ	(000,000)	_				
		BREAKDOV	VN BY MA	JOR OBJEC	TS OF E	XPENDITU	RE				
Personal Serv	ices:										
POS	SITION TITLI		UMBER O <u>15-16</u>	F POSITIO <u>16-17</u>		2015-16 EXPENDITI		2016-17 EXPENDITURES			
100	,		10 10	10 11	=		<u> </u>				
Benefits					<del></del>						
Operating	• • • • • • • • • • • • • • • • • • • •										
Travel											
Capital outlay	7										
	vements										
TOTAL	• • • • • • • • • • • • • • • • • • • •	• • • • • • • • • • • • • • • • • • • •			-						