



Dave Heineman
Governor

STATE OF NEBRASKA

DEPARTMENT OF REVENUE
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December 13, 2011

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Gerry Oligmueller
State Budget Administrator
1320 State Capitol
Lincoln, NE 68509

STATE BUDGET DIVISION

Re: Homestead Exemption Estimates for FY2011-12 and FY2012-13

Dear Mr. Oligmueller:

The Department of Revenue has totaled the Homestead Exemption certifications from the counties that were due to the Department on November 30, and advises that the current appropriation may be reduced. LB 374 appropriated \$72,300,000 and \$77,700,000 for fiscal years ending in 2012 and 2013, respectively. However, the total Homestead Exemption certifications for the current fiscal year are \$68,079,198. Because counties may amend their requests for Homestead Exemption funding at any time, the certified amounts are close approximations to the amounts actually required for the program in the current year. Therefore, the Department requests \$68,100,000 for the current year, a reduction of \$4.2 million from the current appropriation of \$72,300,000.

Based on the certificates for the current year, the Department estimates that next year's Homestead Exemption appropriation may be reduced from \$77,700,000 to \$72,500,000, a reduction of \$5.2 million.

A review of last year's forecast, which went into the current appropriation amounts, indicates that 2011 Homestead Exemption certificates totaled \$764,162 *less* than last year's costs, a reduction of approximately 1.1%. There were 1,481 *fewer* qualified applicants for the current year. This reduction seems counter-intuitive, given the general state of the economy, and the increase in the State's population that is over 65 years of age. Income eligibility for the program is based on tax year 2010. For 2010, the total federal adjusted gross income (AGI) for Nebraska residents age 65 and older increased 10.3% over 2009, compared to a 3.7% increase for all Nebraska resident taxpayers over the same period. The increased income for this group would account for most of the reduction in the Homestead Exemption.

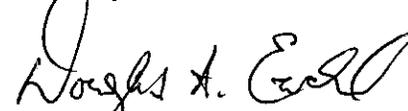
The forecast for FY2012-13 is based upon the population age 65 and over, the previous year's number of exemptions and value of Homestead Exemption properties, AGI of the 65 and over population, total property valuations, and the average state-wide property tax levy. The forecast for next year is 6.5% higher than the current year, compared to a 7.5% in growth of the appropriation. The Department expects the reduction in the current year's program to reverse itself as the economy improves. This is also somewhat counter-intuitive, but the steep decline in the stock market during the recession could have resulted in fewer retirees—a trend which could reverse itself as the economy recovers. At some point, the demographics of the baby boomers will result in more Nebraskans meeting the age requirement for Homestead Exemption qualification. The question is when this increasing number of those 65 and older will start to meet the income qualification.

The Department's request is to amend the LB 374, section 66 appropriation as follows:

Program 108 – Homestead Exemption	FY2011-12	FY2012-13
General Fund	68,100,000	72,500,000

Thank you for your consideration. We would be happy to answer any questions you may have.

Sincerely,



Douglas A. Ewald
Tax Commissioner

cc: Mike Calvert
Doug Gibbs
Lyn Heaton