Doug Gibbs March 16, 2012 402-471-0051 **LB 209** 

Revision: 02

## FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

Revised due to adoption of amendments

	ESTIMATE OF FIS	SCAL IMPACT – STAT	E AGENCIES *	,		
	FY 201	2-13	FY 2013-14			
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE		
GENERAL FUNDS	\$31,406	(\$1,683,000)	\$35,365	(\$133,000)		
CASH FUNDS						
FEDERAL FUNDS						
OTHER FUNDS						
TOTAL FUNDS	\$31,406	(\$1,683,000)	\$35,365	(\$133,000)		

<sup>\*</sup>Does not include any impact on political subdivisions. See narrative for political subdivision estimates.

LB 209, as amended by AM 2277, amends Nebraska Revised Statute Section 77-27,144 regarding the collection of the local option sales tax and refunds deducted from the same.

The bill would impose a one year delay on the deduction of local option sales tax refunds made pursuant to the Employment and Investment Growth Act (LB 775) from sales taxes remitted to first and second class cities and villages. The Department is required to notify the municipality of the pending deduction, the amount of the deduction, and the month in which the deduction will be made.

The bill, as amended, now also provides that when the total amount of refunds exceeds 25% of the municipality's sale and use tax receipts for the prior fiscal year, net of any refunds or collection fees, the Department of Revenue in addition to the one-year notification shall deduct those refunds from the municipality's receipts over the period of a year in twelve equal monthly payments.

The Department of Revenue indicates there will be minimal costs to implement LB 209, as amended by AM 2277.

There is no basis to disagree with the Department of Revenue's estimate of fiscal impact or cost.

The bill, as amended by AM2193, incorporates the provisions of LB 489 and amends Sections 77-2711 and 77-27,144.

Section 77-2711, dealing mainly with confidentiality of tax records, is amended to allow a municipality that has the local option sales tax to inspect confidential sales tax records of businesses that have a sales tax permit for locations inside the boundaries of the municipality. The municipality is to certify one person to examine the information and the examination may only be done on the premises of the Department of Revenue. The certified person may not disclose any information obtained from the review of the tax records; if the certified person does disclose the information they shall be guilty of a Class I misdemeanor.

The Department of Revenue originally estimated administration costs of \$30,895 for FY2011-12, \$33,670 for FY2012-13, and \$35,365 for FY2013-14. This is based on the current requests for information, the amount of time necessary to collect this information, the time necessary to adequately safeguard confidential taxpayer information, and the potential uses that may generate requests. The Department estimates it will require a 1.0 FTE Accounting Clerk II to plan for and assist certified persons with their research. Other costs are expected to be minimal. We have adjusted this estimate accordingly to the appropriate fiscal years.

There is no basis to disagree with the Department of Revenue's estimate of cost.

## FEB - 4 2011

LB 209

## LEGISLATIVE FISCAL

**Fiscal Note** 

2011

		State Agency	Estimate			
State Agency Name: Department	of Revenue				Date Due LFA:	1/18/2011
Approved by: Douglas Ewald		Date Prepared:	1/12/11		Phone: 471-5700	
	FY 2011-2012		FY 2012-2013		FY 2013-2014	
	<b>Expenditures</b>	Revenue	Expenditures	Revenue	Expenditures	Revenue
General Funds		(\$1,683,000)		(\$133,000)		\$476,000
Cash Funds			2 222			
Federal Funds						
Other Funds						
Total Funds		(\$1,683,000)		(\$133,000)		\$476,000

LB 209 amends §77-27,144 to delay by one year the deduction of sales tax refunds made under § 77-4105 of the Employment and Investment Growth Act (LB 775) from sales taxes remitted to first and second class cities, and villages. The refunds would still be paid to the taxpayer in the usual time frame. The Department is required to notify the city or village of the pending deduction from sales taxes, including the amount and month the deduction will be made.

The General Fund impact due to LB 209 depends upon two factors. First, the Department will make direct sales tax refunds of the city or village tax to the taxpayer when the refund claim is approved, and the Department will not deduct these refunds from the cities' or village's sales tax remittances for one year. This will result in an increase of the total amount of refunds from the General Fund. When these refunds are deducted from city or village sales taxes 12 months later, these deductions will offset the next year's refunds. Secondly, the amount of direct sales tax refunds from LB 775 projects will decline as the last of the LB 775 projects are completed. This means that in later years, refunds held by the Department will be smaller than the refunds deducted from the cities' current sales tax remittances, and the impact on the General Fund will be positive.

The General Fund impact is estimated to be (\$1.683) million, (\$0.133) million, \$0.476 million, and \$0.600 million in FY 2011-12 through FY 2014-15, respectively.

It is estimated that there would be minimal costs to the Department to implement this bill.

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