

7/2012

PREPARED BY: Doug Gibbs  
DATE PREPARED: February 06, 2012  
PHONE: 402-471-0051

LB 902

Revision: 00

# FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *				
	FY 2012-13		FY 2013-14	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS		(\$ 5,125,000)		(\$ 309,873)
CASH FUNDS				(\$ 2,127)
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS		(\$ 5,125,000)		(\$ 312,000)

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

LB 902 amends Nebraska Revised Statutes dealing with revenue and taxation regarding government property exempt from property taxes and the state and political subdivisions exemption from sales and use taxes.

Section 77-202 is amended to further define that property of the state and its governmental subdivisions includes property held in fee title by the state or its subdivisions and property beneficially owned by the state or its subdivisions in that it is being used for a public purpose and is being acquired under a lease-purchase agreement, financing lease, or other instrument which provides legal transfer of title to the state or a governmental subdivision upon payment of all amounts due under the agreement, lease, or instrument. The bill would exempt such property from property taxes.

The bill amends Section 77-2704.15 to exempt from sales and use taxes all purchases made by a non-profit corporation under a lease-purchase agreement, financing lease, or other similar instrument which provides for transfer of title to the property to the state or a governmental unit upon payment of all amounts due under the agreement, lease, or instrument.

The changes proposed in LB 902 apply retroactively and well as after the effective date of the bill. The bill contains the emergency clause.

The Department of Revenue indicates that there appear to be a number of these projects in the state that are considered subject to the sales tax. They estimate that these projects, looking back only to a three-year statute of limitations for refunds, would amount to a net General Fund sales tax reduction, refunds and smaller collections as follows:

Fiscal Year:	General Fund:	State Highway Capital Improvement Fund:
FY2012-13:	(\$ 5,125,000)	\$ 0
FY2013-14:	(\$ 297,819)	(\$ 12,054)
FY2014-15:	(\$ 310,228)	(\$ 12,556)

The Department estimates no cost to implement the provisions of LB 902. There is no basis to disagree with the Department of Revenue's estimate of fiscal impact and cost.

IMPACT TO POLITICAL SUBDIVISIONS:

We estimate the following fiscal impact to the Highway Allocation Fund:

FY2012-13:	\$ 0
FY2013-14:	(\$ 2,127)
FY2014-15:	(\$ 2,216)

DEPARTMENT OF ADMINISTRATIVE SERVICES

REVIEWED BY			PHONE
Lyn Heaton	2/18/12		471-2526
COMMENTS			
DEPT. OF REVENUE – No basis upon which to disagree.			

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State Agency Estimate

*LEGISLATIVE FISCAL*

State Agency Name: Department of Revenue		Date Due LFA: 1/18/2012				
Approved by: Douglas Ewald		Date Prepared: 2/2/2012				
Phone: 471-5700						
	FY 2012-2013		FY 2013-2014		FY 2014-2015	
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue
General Funds		(\$5,125,000)		(\$312,000)		(\$325,000)
Cash Funds						
Federal Funds						
Other Funds						
<b>Total Funds</b>		(\$5,125,000)		(\$312,000)		(\$325,000)

LB 902 amends Neb. Rev. Stat. § 77-202 to include “Property of the state and its governmental subdivisions,” which is property held in fee title or beneficially owned by the state or a political subdivision that is used for a public purpose and was acquired under a lease-purchase agreement or similar instrument where legal title to the property passes to the state or political subdivision at the conclusion of the lease term or when the terms of the instrument have been satisfied.

LB 902 also exempts from sales and use tax all purchases by a nonprofit corporation under a lease-purchase agreement or similar instrument where legal title to the property passes to the state or a governmental subdivision upon payment of all amounts due.

LB 902 is applied retroactively and prevents collection of sales, use, and property taxes that could accrue from property acquired under a lease-purchase agreement.

There appear to be a number of projects in the state that are considered subject to the sales tax. It is estimated that these projects, looking only back to a three-year statute of limitations for refunds, would amount to a net General Fund sales tax reduction, refunds and smaller collections, of \$5.125 million in FY2012-13. This is expected to decrease to \$0.312 million and \$0.325 million in FY 2013-14 and FY 2014-15, respectively.

There will be no costs to the Department to implement.

**Major Objects of Expenditure**

Class Code	Classification Title	12-13	13-14	14-15	12-13	13-14	14-15
		FTE	FTE	FTE	Expenditures	Expenditures	Expenditures
Benefits.....							
Operating Costs.....							
Travel.....							
Capital Outlay.....							
Aid.....							
Capital Improvements.....							
<b>Total.....</b>							