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LB 902

Revision: 04

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

Revised due to adoption of amendments on General and Select File.

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *				
	FY 2012-13		FY 2013-14	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS		(\$300,000)		(\$297,819)
CASH FUNDS				(\$12,054)
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS		(\$300,000)		(\$309,873)

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

LB 902, as amended by AM 2281, AM 2563, and AM 2638, changes 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.

As amended by AM 2638, the bill now provides that property is eligible for the exemption granted under LB 902 only if the question of acquisition or construction has been approved by the voters of the appropriate governmental subdivision at a primary, general, or special election. Such election is triggered when the total acquisition or construction costs of the property or building exceeds the greater of \$50,000 or six-tenths of one percent of the total actual value of real and personal property of the governmental subdivision. The same requirements apply to a nonprofit corporation which will be making purchases under a lease-purchase agreement, financing lease, or other instrument as part of the project.

The bill contains the emergency clause and as amended now provides an operative date of April 1, 2012 for section 2 of the bill.

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.

While we do not completely disagree with the Department of Revenue's estimate of fiscal impact, we do believe the tax remittance by these non-profit entities has been inconsistent. However, it is clear that these taxes are at this time due and payable to the state and would be revenue forgone with the passage of LB 902. We believe the fiscal impact to the state would be approximately as follows:

Fiscal Year:	General Fund:	State Highway Capital Improvement Fund:
FY2012-13:	(\$ 300,000)	\$ 0
FY2013-14:	(\$ 297,819)	(\$ 12,054)
FY2014-15:	(\$ 310,228)	(\$ 12,556)

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)

