

Revised due to adoption of amendments on Select File and to correct calculation error.

**FISCAL NOTE**  
**LEGISLATIVE FISCAL ANALYST ESTIMATE**

| <b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)</b> |                     |                  |                     |                  |
|---|---------------------|------------------|---------------------|------------------|
|   | <b>FY 2014-15</b>   |                  | <b>FY 2015-16</b>   |                  |
|   | <b>EXPENDITURES</b> | <b>REVENUE</b>   | <b>EXPENDITURES</b> | <b>REVENUE</b>   |
| GENERAL FUNDS   | \$52,700            | See Below        | \$45,200            | See Below        |
| CASH FUNDS  |                     | See Below        |                     | See Below        |
| FEDERAL FUNDS   |                     |                  |                     |                  |
| OTHER FUNDS   |                     |                  |                     |                  |
| <b>TOTAL FUNDS</b>  | <b>\$52,700</b>     | <b>See Below</b> | <b>\$45,200</b>     | <b>See Below</b> |

**Any Fiscal Notes received from state agencies and political subdivisions are attached following the Legislative Fiscal Analyst Estimate.**

LB 867, as amended by AM1954, AM2011, and AM2190 on General File and by AM2223, AM2262 and AM2449 on Select File, makes a number of changes to the Nebraska Revenue Act of 1967, the Sports Arena Financing Assistance Act, the documentary stamp tax, and sections dealing with natural gas used as a vehicular fuel.

**THE ORIGINAL PROVISIONS OF THE BILL STILL INCORPORATED INTO LB 867**, changes who may access sales and use tax information to no longer require that such a person be a municipal employee but only that the person be certified by the municipality seeking information. The person may still be a municipal employee but can also be a contractor who provides financial, accounting or other administrative services to the municipality. The person so certified would still be bound by the confidentiality requirements found in this section. LB 867 also adds language allowing the municipality to seek information on any person who is liable for the use tax and the amount of use tax that person remitted which is allocable to the requesting municipality.

This portion of LB 867, as amended, becomes effective three months following adjournment.

The Department of Revenue indicates an expenditure of \$52,700 for FY2014-15 and \$45,200 for FY2015-16 for 1.0 FTE for compiling and researching the use tax data requested by municipalities. PSL for this position is \$33,200 for FY2014-15 and \$34,000 for FY2015-16.

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

**LB 867, AS AMENDED BY AM1954 on General File and AM2449 on Select File, adds the provisions of LB 783** to the bill. Section 13-3107 is amended to provide that instead of only an annual determination and certification by the Tax Commissioner of sales tax revenue collected from retailers doing business at an eligible sports arena facility, the sports arena admissions, and the new revenue collected by nearby retailers that the determination and certification are now done quarterly.

In addition, the State Treasurer shall now transfer the amount of sales tax revenue certified by the Tax Commissioner to the Sports Arena Facility Support Fund on a quarterly basis. The bill also provides that an annual audit shall continue to be done and following the annual audit, the State Treasurer shall transfer an amount to or from the fund necessary to reconcile the quarterly estimated transfers.

Money is then to be transferred to any political subdivision for which an application for state assistance under the Act has been approved on a quarterly basis instead of an annual basis. As amended on Select File, the bill requires that on or before April 1, 2014 the Tax Commissioner is to certify to the State Treasurer the amount of eligible sales tax revenue that was collected from July 1, 2013 through December 31, 2013 and that that amount shall be distributed on or before April 15, 2014. The bill, as amended, requires that quarterly distributions of state assistance begin in 2014 and that they occur within fifteen days after receipt of certification.

Currently, audit and certification of the amount of new state sales is done annually, after the close of the fiscal year during which the tax revenue was generated. That amount is then certified by December and becomes part of the appropriations process that begins in January of the following year.

This portion of LB 867, as amended, contains the emergency clause and becomes operative upon signing by the Governor.

**NOTE:** The following estimate of fiscal impact for the portion of LB 867 amended by AM2449 includes a loss of revenue for the current fiscal year (FY2013-14), which is a result of the requirement in the amendment that certain state assistance be distributed to a qualifying political subdivision by April 15, 2014.

The Department of Revenue estimates that AM2449 will have the following fiscal impact to the General File:

|            |                |
|------------|----------------|
| FY2013-14: | (\$ 1,378,000) |
| FY2014-15: | (\$ 1,265,000) |
| FY2015-16: | (\$ 132,000)   |
| FY2016-17: | (\$ 139,000)   |

The Department of Revenue indicates minimal cost to implement the provisions of AM2449.

We agree with the Department of Revenue's estimate of fiscal impact and cost to implement AM2449.

**THE BILL, AS AMENDED BY AM1954 on General File, also adds the provisions of LB 809** and provides for a sales and use tax exemption for purchases by any historic automobile museum of items which are displayed or held for display and are reasonable related to the general purpose of the museum.

A historic automobile museum is defined as in Section 51-702 and is used to maintain and exhibit a collection of at least one-hundred-fifty motor vehicles, and was open to the public an average of four or more hours per week during the previous calendar year. A museum in its first year of existence may qualify as a historic museum without complying with the four hours per week requirement.

**NOTE:** Section 51-702 defines a museum as an institution located in Nebraska and operated by a nonprofit corporation or a public agency, primarily for educational, scientific, historic preservation, or aesthetic purposes, and which owns, borrows, cares for, exhibits, studies, or catalogs property. It includes, but is not limited to, historical societies, historic sites or landmarks, parks, monuments, libraries, and zoos.

This portion of LB 867, as amended, becomes operative October 1, 2014.

**AS AMENDED BY AM2011 to AM1954 on General File, the bill now includes the provisions of LB 829** and amends Nebraska Revised Statutes Sections 77-2701.11 and 77-2701.35 to change the definition of "delivery charges" and "sales price" to exclude United States postage charges on direct mail that is separately stated on an invoice, bill of sale, or similar document given to the purchaser. This has the effect of exempting such charges from sales tax.

In addition, AM2011 also exempts currency and bullion from sales tax. "Bullion" is defined as bars, ingots, or commemorative medallions of gold, silver, platinum, or palladium or a combination of those metals, for which the value depends on content and not form. "Currency" is defined as a coin or currency made of gold, silver, or other metal or paper which is or has been used as legal tender.

This portion of LB 867 becomes operative on April 1, 2014.

**NOTE:** The estimate of fiscal impact for this portion of LB 867 includes a loss of revenue for the current fiscal year (FY2013-14). This is a result of the operative date of April 1, 2014 for the sales tax exemption for postage and bullion in AM2011.

**LB 867, AS AMENDED BY AM2223 on Select File, incorporates the provisions of LB 1043,** dealing with the documentary stamp tax.

The bill, as amended, provides for an exemption from the documentary stamp tax for deeds transferring property without actual consideration, to a nonprofit organization exempt from federal income tax and that is not a private foundation.

The documentary stamp tax rate is \$2.25 per \$1,000 of value. The tax is divided as follows:

- \$0.95 is credited to the Affordable Housing Trust Fund;
- \$0.50 is retained by the county;
- \$0.30 is credited to the Behavioral Health Services Fund;
- \$0.25 is credited to the Homeless Shelter Assistance Fund;
- \$0.25 is credited to the Site and Building Fund.

This portion of LB 867 becomes operative three calendar months after adjournment of the legislative session.

The Department of Revenue indicates that, based on an assumption that the new exemption has the same impact as other deeds that are currently exempt, both in terms of use and dollar value of the transactions, the estimated impact of LB 1043 is as follows:

| Fiscal Year: | Affordable Housing Trust Fund: | Homeless Shelter Assistance Fund: | Behavioral Health Services Fund: | Site and Building Fund: | County:     | Total:      |
|--------------|--------------------------------|-----------------------------------|----------------------------------|-------------------------|-------------|-------------|
| 2014-15:     | (\$240,000)                    | (\$63,000)                        | (\$76,000)                       | (\$63,000)              | (\$126,000) | (\$568,000) |
| 2015-16:     | (\$244,000)                    | (\$64,000)                        | (\$77,000)                       | (\$64,000)              | (\$129,000) | (\$578,000) |
| 2016-17:     | (\$249,000)                    | (\$66,000)                        | (\$79,000)                       | (\$66,000)              | (\$131,000) | (\$591,000) |

The Department of Revenue indicates no cost to implement the provisions of LB 1043.

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

**AS AMENDED BY AM2262 on Select File, incorporates the provisions of LB 150** and amends Nebraska Revised Statutes regarding the tax paid on natural gas used as vehicle fuel.

The bill amends Sections 14-2138 and 14-2139 to exempt natural gas used a vehicular fuel from the retail tax paid by a metropolitan utilities district to every city of any class, including metropolitan class, and villages in which the district sells natural gas up to January 1, 2020.

The current rate is two percent of annual gross revenue derived from all retail sales of water and gas.

The bill amends Section 77-2704.13 to add to the exemption from sales and use taxes provided in this section, the sales and purchase of certain fuels when more than fifty percent of such fuel is used in the compression of natural gas for retail sale as a vehicle fuel.

This portion of LB 867 has an operative date of January 1, 2015.

The Department of Revenue estimates the impact to be minimal at this time, but indicates that several factors could cause that to change. It is estimated that less than 0.1% of all motor vehicles in the state are powered by compressed natural gas (CNG), and most of those vehicles are owned by fleets. As gasoline prices rise, demand for CNG-powered motor vehicles is expected to rise dramatically. The U.S. Energy Information Administration projects that the use of natural gas as a fuel for motor vehicles will rise nearly 12% per year through 2040. As a result, the use of CNG will increase and the fiscal impact of AM2262 could be significantly higher in the future.

The Department indicates no cost to implement the provisions of AM2262.

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

**TOTAL FISCAL IMPACT OF LB 867, AS AMENDED:**

| Fiscal Year: | General Fund:  | Cash Fund:   | Total (State): | Local:       |
|--------------|----------------|--------------|----------------|--------------|
| FY2013-14:   | (\$ 1,832,000) | (\$ 18,000)  | (\$ 1,850,000) | (\$ 3,500)   |
| FY2014-15:   | (\$ 4,137,000) | (\$ 654,500) | (\$ 4,791,500) | (\$ 248,000) |
| FY2015-16:   | (\$ 3,140,000) | (\$ 718,000) | (\$ 3,858,000) | (\$ 307,000) |
| FY2016-17:   | (\$ 3,274,000) | (\$ 737,000) | (\$ 4,011,000) | (\$ 313,000) |