

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

<b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES</b> (See narrative for political subdivision estimates)				
	<b>FY 2016-17</b>		<b>FY 2017-18</b>	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$81,267	(\$16,266,000)	(\$27,673)	(\$16,611,000)
CASH FUNDS		(\$659,000)		(\$672,000)
FEDERAL FUNDS				
OTHER FUNDS				
<b>TOTAL FUNDS</b>	<b>\$81,267</b>	<b>(\$16,925,000)</b>	<b>(\$27,673)</b>	<b>(\$17,283,000)</b>

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

LB 974 amends the Nebraska Revenue Act of 1967 Section 77-2701 and 77-2701.04 to create a sales and use tax exemption.

The bill creates a sales tax holiday beginning at 12:01 a.m. on the first Friday in August running to 11:59 p.m. the following Sunday.

Exempt items include the following:

- Clothing with a sales price of \$100 or less per item;
- School items with a sales price of \$100 or less per item;
- Computers and computer-related accessories with a sales price of \$750 or less per item;

The bill also contains a number of exclusions from the exemption, including the following:

- Computer software intended primarily for recreational use;
- Clothing accessories or equipment;
- Protective equipment;
- Sport or recreational equipment;
- School instructional material;
- Any item for use in a trade or business;
- The sale of any item in a theme park, entertainment complex, public lodging establishment, or airport;
- The lease or rental of any item.

The bill also provides reporting requirements for retailers; specific requirements regarding layaway items, delivery charges, returns, exchanges; and a 60-day reporting period following the exemption period.

The bill has an operative date of July 1, 2016 and contains the emergency clause.

The Department of Revenue has estimated that LB 974 would reduce revenue to the following funds as indicated below:

Fiscal Year:	General Fund:	State Highway Capital Improvement Fund:	Highway Allocation Fund: (Local)	Total:
2016-17:	(\$ 2,510,000)	(\$ 102,000)	(\$ 18,000)	(\$ 2,630,000)
2017-18:	(\$ 2,575,000)	(\$ 104,000)	(\$ 18,000)	(\$ 2,697,000)
2018-19:	(\$ 2,642,000)	(\$ 107,000)	(\$ 19,000)	(\$ 2,768,000)

**NOTE:** The Department of Revenue has indicated that, as written, LB 974 violates Section 322 of the Streamlined Sales and Use Tax Agreement (SSUTA). This would negatively affect the Department of Revenue's ability to collect sales and use tax from sellers registered with SSUTA. This impact would also reduce revenue to the following funds:

Fiscal Year:	General Fund:	State Highway Capital Improvement Fund:	Highway Allocation Fund: (Local)	Total:
2016-17:	(\$ 13,756,000)	(\$ 557,000)	(\$ 98,000)	(\$ 14,411,000)
2017-18:	(\$ 14,036,000)	(\$ 568,000)	(\$ 100,000)	(\$ 14,704,000)
2018-19:	(\$ 14,649,000)	(\$ 593,000)	(\$ 105,000)	(\$ 15,347,000)

The Department indicates the cost to implement the provisions of LB 974 will include \$54,242 for a one-time programming cost paid to the Office of the CIO and 0.5 FTE Auditor. PSL for the Auditor position would be \$20,320 in FY2016-17 and \$20,807 in FY2017-18. We have no basis to disagree with the Department of Revenue's estimate of fiscal impact or cost.

**NOTE:** Section 322 of SSUTA refers to Sales Tax Holidays.

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES		
LB: 974	AM:	AGENCY/POLT. SUB: Dept. of Revenue
REVIEWED BY: Lyn Heaton	DATE: 2/18/2016	PHONE: 471-4181
COMMENTS: No basis upon which to disagree with the Department of Revenue's analysis.		

Please complete ALL (5) blanks in the first three lines.

**2016**

**LB<sup>(1)</sup> 974**

**FISCAL NOTE**

State Agency OR Political Subdivision Name: <sup>(2)</sup> University of Nebraska

Prepared by: <sup>(3)</sup> Michael Justus Date Prepared: <sup>(4)</sup> January 20, 2016 Phone: <sup>(5)</sup> 402-472-2191

**ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION**

	<u>FY 2016-17</u>		<u>FY 2017-18</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	=====	=====	=====	=====

Explanation of Estimate:

The bill provides for a Sales Tax Holiday and would have only nominal impact on the University for changes to cashiering software and machines.

**BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE**

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2016-17</u>	<u>2017-18</u>
	<u>16-17</u>	<u>17-18</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____

**State Agency Estimate**

State Agency Name: Department of Revenue		Date Due LFA: 2/18/2016				
Approved by: Tony Fulton		Date Prepared: 2/17/2016				
		Phone: 471-5896				
	<b>FY 2016-2017</b>		<b>FY 2017-2018</b>		<b>FY 2018-2019</b>	
	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>
General Funds	\$81,267	(\$16,266,000)	\$27,673	(\$16,611,000)	\$29,018	(\$17,291,000)
Cash Funds		(\$659,000)		(\$672,000)		(\$700,000)
Federal Funds						
Other Funds		(\$116,000)		(\$118,000)		(\$124,000)
Total Funds	\$81,267	(\$17,041,000)	\$27,673	(\$17,401,000)	\$29,018	(\$18,115,000)

LB 974 would amend Neb. Rev. Stat. §§ 77-2701 to 77-27,135.01, 77-27,235, and 77-27, 236, and create a sales and use tax exemption for clothing (with a sales price under \$100.00 per item), school supplies (with a sales price under \$100.00 per item), and computers and computer-related accessories (with a sales price under \$750.00 per item).

The exemption would not include: computer software primarily for recreational use; clothing accessories or equipment; protective equipment; sport or recreational equipment; school instructional materials; any item for use in a trade or business; the lease or rental of any item; and the sale of any item in a theme park, entertainment complex, public lodging establishment, or airport. The sales and use tax exemption would begin at 12:01 a.m. on the first Friday of August and end at 11:59 p.m. on the following Sunday.

Each retailer making exempt sales would have to report the amount of such sales to the Tax Commissioner on the retailer’s sales and use tax returns. LB 974 also defines “Computer” and “Computer-related accessories” as well as addresses the issues of lay away sales, discounts, rain checks, exchanges and returns, delivery charges (including shipping, handling, and service charges), and shipment and delivery times. Lastly, LB 974 declares that an emergency exists and this act would take effect when passed and approved according to law while also declaring the operative date of July 1, 2016.

LB 974 is expected to reduce revenue to the funds listed below by the following amounts:

Fiscal Year	General Fund	State Highway Capital Improvement Fund	Highway Allocation Fund	Total
2016-17	\$2,510,000	\$102,000	\$18,000	\$2,630,000
2017-18	\$2,575,000	\$104,000	\$18,000	\$2,697,000
2018-19	\$2,642,000	\$107,000	\$19,000	\$2,768,000

As written, LB 974 violates Section 322 of the Streamlined Sales and Use Tax Agreement (SSUTA). This would negatively affect the Department’s ability to collect sales and use taxes from sellers registered with SSUTA. This impact would also reduce revenue to the following funds:

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2016-17	\$13,756,000	\$557,000	\$ 98,000	\$14,411,000
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2018-19	\$14,649,000	\$593,000	\$105,000	\$15,347,000

Departmental cost to implement LB 974 includes one-time programming costs paid to the OCIO totaling \$54,242 and ½ FTE Auditor.

**Major Objects of Expenditure**

<u>Class Code</u>	<u>Classification Title</u>	<u>16-17 FTE</u>	<u>17-18 FTE</u>	<u>18-19 FTE</u>	<u>16-17 Expenditures</u>	<u>17-18 Expenditures</u>	<u>18-19 Expenditures</u>
A21212	Auditor	0.5	0.5	0.5	\$20,320	\$20,807	\$21,818
Benefits.....					\$6,705	\$6,866	\$7,200
Operating Costs.....					\$54,242		
Travel.....							
Capital Outlay.....							
Aid.....							
Capital Improvements.....							
<b>Total.....</b>					<b>\$81,267</b>	<b>\$27,673</b>	<b>\$29,018</b>