PREPARED BY: Keisha Patent, Sandy Sostad, and Tom Bergquist
DATE PREPARED: February 08, 2019
PHONE: 402-471-0059

LB 314

Revision: 00

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)

	FY 2019-20		FY 2020-21	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	$712,659		$246,805,000	$261,000,000
CASH FUNDS		$268,935,000	$322,722,000	$378,513,000
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	$712,659	$268,935,000	$569,527,000	$639,513,000

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

LB 314 amends numerous revenue and taxation provisions, creates a commission, changes calculation of state aid to schools and special education reimbursement rates, and adopts an act.

Remote Seller Sales Tax Collection Act: The bill adopts the Remote Seller Sales Tax Collection Act to require remote sellers to remit sales tax as if they had a physical presence in the state if they have gross revenue exceeding $100,000 or sold property for delivery in 200 or more transactions. This portion of the bill is operative July 1, 2019. It is estimated these provisions do not have a fiscal impact because revenue from sales tax collected by remote sellers, as defined in LB 314, was accounted for in the October 2018 revenue forecast, and therefore provisions requiring remote sellers to collect sales tax does not result in additional revenue in the upcoming biennium.

Property Tax Changes: The bill amends property tax provisions, beginning January 1, 2020, as follows:

- Eliminates the property tax exemption for fraternal benefit societies; and
- Eliminates the personal property tax exemption under the Personal Property Tax Relief Act.

The elimination in the personal property tax exemption will result in a General Fund expenditure savings of $14.8 million in FY21. Eliminating the exemption for fraternal benefit societies will increase the property tax base in political subdivisions where fraternal benefit societies are located, resulting in an increase in property tax revenue.

Alcoholic Beverage Tax Changes: The bill changes tax rates for alcoholic liquor, beginning January 1, 2020, as follows:

- Increases the tax rate for beer from $0.31 per gallon to $1.38 per gallon;
- Increases the tax rate for wine from $0.95 per gallon to $3.51 per gallon, except the tax rate for wine from farm wineries increases from $0.06 per gallon to $2.62 per gallon; and
- Increases the tax rate for alcohol and spirits from $3.75 per gallon to $12.28 per gallon.

Increasing the taxes on alcoholic liquor as prescribed is estimated to have a fiscal impact of $35.268 million in FY20 and $89.442 million in FY21 by the Department of Revenue (DOR). The Nebraska Liquor Control Commission (NLCC) estimates a fiscal impact of $37.472 million in FY20 and $89.932 in FY21. The estimates do not make significant adjustments for changes in consumption patterns based upon the large increases in excise tax on alcohol, which we agree seems reasonable because there is not reliable data to do so. We estimate the fiscal impact for FY20 is $36.37 million and for FY21 is $89.687 million.

In addition, NLCC estimates a one-time cost of $90,000 to update their online reporting system. This estimate seems reasonable.

Cigarette and Tobacco Tax Changes: The bill amends provisions related to cigarette and tobacco taxes, beginning January 1, 2020, as follows:

- Increases the cigarette tax rate from $0.64 per pack to $2.14 per package; and
- Defines “vapor product” and includes vapor products in the definition of tobacco products subject to 20% tax on tobacco products.

The increase in cigarette tax and the imposition of tobacco products tax on vapor products in estimated by DOR to have a fiscal impact of $44.606 million in FY20 and $103.545 million in FY21. Based upon the data available, this estimate seems reasonable.

Sales and Use Tax Changes: The bill changes sales and use tax provisions, beginning January 1, 2020, as follows:

- Increases the state sales tax rate from 5.5% to 6.0%;
- Amends reporting requirements for sales and use tax in the tax expenditure report;
- Imposes sales and use tax on:
  - motor vehicle repair and maintenance labor;
  - pet-related services;
  - cleaning of clothing;
  - storage and moving services;
  - ride-sharing services;
  - personal care services including hair care, massage, tanning, nail services, spa services, and tattoo services;
  - maintenance, painting, repair, and decorating services for single-family homes;
  - limousine, taxi, and transportation services;
  - travel agents, tour operators, and online travel services;
  - lawn care, gardening, and landscaping;
  - parking services;
  - swimming pool cleaning and maintenance;
  - dating and escort services;
  - instruction in music, dance, golf, and other recreational activities; and
  - telefloral delivery services;
- Imposes sales and use tax on candy, soft drinks, and bottled water;
- Outright repeals the sales and use tax exemptions for purchases by an historic automobile museum and for memberships or admissions to or purchases by a zoo or aquarium; and
- Clarifies that online travel companies that charge an intermediary fee for booking the space are responsible for collecting and remitting sales tax for transactions, and that the intermediary fee is included in consideration for a hotel room.

DOR estimates the increase in the sales tax rate to have a fiscal impact of $67.424 million in FY20 and $164.091 million in FY21. The changes in the base of the sales and use tax result in a fiscal impact of $44.845 million in FY20 and $113.677 million in FY21. The total fiscal impact for the sales and use tax provisions in LB 314 is $112.269 million in FY20 and $277.768 million in FY21. Based upon the data available, these estimates seem reasonable.

Income Tax Changes: The bill amends provisions related to S corporations and limited liability companies, for tax years beginning on or after January 1, 2020, as follows:

- Eliminates the exclusion for income or loss from out-of-state sources for an S corporation or an LLC from adjusted gross income, or for a fiduciary, federal taxable income; and
- Requires Nebraska residents who are shareholders of an S corporation or members of an LLC to include the proportionate share of the corporation or LLC's income in their Nebraska taxable income, and includes fair compensation for services rendered to the company in Nebraska taxable income.

DOR estimates the fiscal impact of these provisions to be $35.36 million FY20 and $85.56 million in FY21. Based upon the data available, this estimate seems reasonable.

The bill amends provisions related to individual income tax, for tax years beginning on or after January 1, 2020, as follows:

- Disallows federal itemized deductions for purposes of individual income tax except for medical expenses;
- Eliminates the special capital gains exclusion from the sale of stock acquired through employment of the corporation;
- Imposes a surtax of 7.84%, in addition to any other taxes owed, on individuals whose federal adjusted gross income is $500,000 or more if married filing jointly or $250,000 for individuals with any other filing status;
- Imposes an alternative minimum tax for resident individuals, estates, and trusts; and
- Increases the earned income credit to 15% of the federal credit and allows for a refundable credit to individuals who rent their primary residence up to 2% of rent paid, not to exceed $500.

DOR estimates the changes in the income tax provisions result in a fiscal impact of $38.310 million in FY20 and $93.298 million in FY21. DOR estimates a reduction in revenue to create the rent credit and increase the earned income credit of $15.345 million in FY21. These estimates seem reasonable.

Documentary Stamp Tax Changes: The bill also increases the documentary stamp tax rate from $2.25 to $2.75 per $1,000 of value. DOR estimates this increase to have a fiscal impact of $2.021 million in FY20 and $5.05 million in FY21. Based upon the data available, this estimate seems reasonable.

Tax Incentive Program Changes: The bill disallows new applications under the New Markets Job Growth Investment Act on or after January 1, 2020. This is not estimated to have a fiscal impact in the upcoming biennium. The fiscal impact of this provision will occur in the FY 2021-2023 biennium.

School Financing Review Commission: The bill establishes the School Financing Review Commission in FY20-21 consisting of eighteen members. The Commission will conduct an in-depth review of the financing of public elementary and secondary schools, which includes specified areas for review that are identified in the bill. Members of the Commission are eligible for the reimbursement of actual and necessary expenses. The Commission ceases to exist on December 31, 2026. A preliminary report is required in November 2021, and biennial reports describing the adequacy of school funding sources are required in each even numbered year, beginning in 2022.

The Commission is housed in the State Department of Education (NDE) for administrative purposes. It is authorized to hire staff and consultants and obtain assistance from NDE and DOR in acquiring data. Intent language provides that at least $100,000 of general funds shall be appropriated to carry out the duties of the Commission.

It is estimated that up to thirteen members of the Commission members can apply for the reimbursement of expenses. The number of meetings of the Commission are unknown. Assuming six meetings in FY 20-21, the estimated amount to reimburse members for expenses is about $16,770 in FY21.

The amount of funding needed for the Commission to carry out its responsibilities will be dependent upon whether consultants and staff are hired. It is assumed that NDE and DOR can handle any information or technical assistance requests with existing staff and resources. If the workload for NDE or DOR pursuant to the bill is substantial, then the general fund appropriation can be used to fund additional staff. It is not possible to project the total future fiscal needs of the Commission at this time, so a general fund appropriation of $100,000 is assumed in FY21.

<u>Allocated Income Taxes in the TEEOSA Formula</u>: LB 314 also changes the Tax Equity and Educational Opportunities Support Act (TEEOSA) beginning in FY 20-21. The amount of state aid for allocated income taxes in the formula is changed. Currently, allocated income taxes are distributed to schools based upon 2.23% of a district's income tax liability. The bill increases the allocation percentage to 20% of a district's income tax liability. The fiscal impact of the increase in allocated income taxes is estimated to be $81,201,257 of general funds beginning in FY21.

<u>Reimbursement of Special Education</u>: The bill changes provisions related to the amount of aid appropriated for special education programs and support services. The bill requires that General Funds are appropriated beginning in FY 20-21 and thereafter to fund at least 80% of the excess allowable costs for all special education programs and support services. The amount is based upon the excess allowable costs of programs and services in the preceding year.

The State Department of Education (NDE) estimated the fiscal impact of the bill based upon reported excess allowable costs for FY 17-18. The reported costs for special education programs were inflated by 5.45% each year and the reported costs for transportation services were inflated by 4.56% each year to arrive at estimated costs in FY19 and FY20. The inflationary increases represent the average increase in the most recent three years.

The calculations by NDE appear reasonable. The estimated amount of general funds needed to fund 80% of excess allowable costs in FY21 is $406,324,490. The current general fund appropriation for special education reimbursement is $226,526,585, so the estimated fiscal impact of reimbursing 80% of excess allowable costs is $179,797,905 in FY21.

It is important to note there is a maintenance of effort provision relative to special education funding, so the amount of general funds appropriated in any fiscal year must be maintained in the next fiscal year in order to continue to receive federal IDEA funds.

<u>Special Education Aid Impact in the TEEOSA Formula:</u> The increase in special education aid also increases the special receipts allowance in the TEEOSA formula and local resources beginning in FY 22-23, two years after the increase in state aid occurs. The impact will be a reduction in equalization aid in the formula due to increased local resources from special education aid. The estimated decrease in equalization aid due to increased special education aid will be $122,424,137 and due to an increase in the special receipts allowance will be $1,792,204.

In summary, the fiscal impact for the School Financing Review Commission, TEEOSA aid, and special education aid is as follows:

	FY 20-21	**FY 21-22**	**FY 22-23**
School Fin. Review Comm.	100,000		
Special Ed. Aid Increase	179,797,905	179,797,905	179,797,905
TEEOSA:			
Allocated Income Tax Increase	81,201,257	81,201,257	81,201,257
SPED aid as local receipt			122,424,137
SPED allowance increase			-1,792,204
Total Fiscal Impact	261,099,162	260,999,162	136,782,821

Property Tax Credit Cash Fund: LB 314 requires the Tax Commissioner to determine annually the amount to be credited to the Property Tax Credit Cash Fund. The amount will be equal to the net increase in state sales and use tax revenue and state income tax revenue received as a result of the changes in this bill, minus the increase in funds paid to schools through TEEOSA, minus appropriations made to pay for the School Financing Review Commission, minus the increase in reimbursements for special education.

The increased revenue received as a result of the increased rates for: alcoholic liquor, cigarettes and vapor products, and documentary stamp tax will be credited directly to the Property Tax Credit Cash Fund.

Following this provision, a total of $268.935 million will be credited in FY20 and $378.563 million will be credited in FY21. The amount of revenue certified by August 2020 for property tax credits pursuant to the Property Tax Credit Act is estimated to be $322.722 million, which will be expended in FY21.

Administration: DOR estimates the following administrative costs to implement the bill:

- A one-time programming charge of $104,759 to OCIO for mainframe and web development costs for the NebFile system; and
- The salary and benefits for 8.0 FTE for administration and enforcement of the bill, for a total cost of $517,900 in FY20 and $505,000 in FY21.

Based upon the additional administration and enforcement required for provisions in LB 314, this estimate seems reasonable.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB: 314	AM:	AGENCY/POLT. SUB: Department of Revenue	
REVIEWED BY: Lee Will		DATE: 2/12/2019	PHONE: (402) 471-4175
COMMENTS: The Department of Revenue's assessment of fiscal impact seems reasonable given the assumptions used.			

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB: 314	AM:	AGENCY/POLT. SUB: Department of Education	
REVIEWED BY: Lee Will		DATE: 2/12/2019	PHONE: (402) 471-4175
COMMENTS: The Department of Education's statement of fiscal impact seems reasonable given that the impact to TEEOSA will occur beginning with school fiscal year 2020-21 as indicated in the bill.			

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB: 314	AM:	AGENCY/POLT. SUB: Liquor Control Commission	
REVIEWED BY: Lee Will		DATE: 2/12/2019	PHONE: (402) 471-4175
COMMENTS: The Liquor Control Commission's assessment of fiscal impact seems reasonable given the assumptions used.			

LB 314 Fiscal Note 2019

State Agency Estimate

State Agency Name: Department of Revenue				Date Due LFA:	2/11/2019	
Approved by: Tony Fulton		Date Prepared:	2/10/2019	Phone: 471-5896		

	FY 2019-2020		FY 2020-2021		FY 2021-2022	
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue
General Funds	See Below	See Below	See Below	See Below	See Below	See Below
Cash Funds		See Below		See Below		See Below
Federal Funds						
Other Funds						
Total Funds	See Below	See Below	See Below	See Below	See Below	See Below

LB 314 appropriates all new revenue from the Nebraska Revenue Act generated by this bill to the Property Tax Credit Cash Fund. The bill would:

1. Create the Remote Sellers Tax Collection Act. Remote sellers have an obligation to collect and remit sales tax if they meet the published economic nexus thresholds in current or prior calendar year of $100,000 in gross sales delivered into Nebraska or 200 or more separate transactions delivered into Nebraska.
2. Remove the exemption on property of Fraternal Benefits Societies.
3. Increase the per gallon taxes imposed on manufacturers and wholesalers of alcoholic beverages as follows: Beer from $0.31 to $1.38; Wine not produced and released from farm wineries from $0.95 to $3.51; Wine produced from farm wineries from $0.06 to $2.62; Alcohol and spirits from $3.75 to $12.28.
4. Extend the sales tax base to include animal specialty and veterinary services; cleaning clothing; storage and moving services; ride sharing services; personal care services, including hair care, massages, tanning services, nail services, spa services, and tattoo services; maintenance, painting, repair and interior decoration services for single family housing; limousine, taxi, and other transportation services; travel agent, tour operator, and online travel services; lawn care, gardening, and landscaping services; parking services; swimming pool cleaning and maintenance services; dating and escort services; instruction in music, dance, golf, and other recreational activities; and telefloral delivery.
5. Repeal the sales tax exemptions for historic automobile museums and memberships to zoos and aquariums.
6. Amend the sunset date for New Markets Job Growth Investment Act applications to December 31, 2019.
7. Increase the tax on cigarettes sold in Nebraska by $1.50 per pack.
8. Create a new statute within the Nebraska Revenue Act which imposes a surtax to Nebraska individual income taxpayers with an AGI over $500,000 if married filing jointly and $250,000 for any other filing status. The surtax equals state income tax liability multiplied by a rate of 7.84%.
9. Increase the state sales tax rate to 6% beginning January 1, 2020.
10. Render candy, soft drinks, and bottled water taxable by removing them from the definition of food and food ingredients.
11. Add an additional income tax for individuals and resident estates and trusts related to a percentage of the alternative minimum tax and federal tax on premature lump sum distributions from qualified retirement plans using a three step formula.
12. Increase Nebraska Earned Income Tax Credit from 10% to 15% and create a credit for individuals who rent their primary residence. The credit equals 2% of the total rent they paid during the year and is capped at $500.
13. Eliminate the special capital gains exclusion found in Neb. Rev. Stat. §77-2715.09.
14. Eliminate the exclusion of non-Nebraska income of S-Corp or LLC.
15. Limit federal itemized deductions to medical expenses for purposes of calculating Nebraska income.
16. Change the Tobacco Products Tax Act. The changes include adding a definition of vapor products and subjecting these products to taxation as other tobacco products.
17. Add intermediary fees charged by online by online travel companies to the definition of consideration for the lodging tax. A hotel relieved from the obligation to collect sales and lodging tax on transactions where an online travel company collects an intermediary fee. The online travel company assumes the responsibility for collecting and remitting.

18. Increase the documentary stamp tax from $2.25/$1,000 to $2.75/$1,000 in value.
19. Eliminate any personal property exemption for persons required to report to tangible personal property and railroads, car line companies, airlines, and public service entities.
20. Create the School Financing Review Commission, consisting of 18 members which would include three members of the legislature and the property tax administrator, and directs the School Financing Review Commission to review the financing of public elementary and secondary schools.

The estimated fiscal impact for LB 314 would be as follows:

	Amount in Thousands			
	FY 19-20	FY 20-21	FY 21-22	FY 22-23
Increase in Alcoholic Beverage Tax	$ 35,268	$ 89,442	$ 94,061	$ 98,679
Extend the Sales Tax Base to Certain Services and Repeal Certain Sales Tax Exemptions	$ 44,845	$ 113,677	$ 119,879	$ 126,087
Sunset New Markets Job Growth Investment Tax Credit	$ -	$ -	$ 2,200	$ 2,500
Increase Cigarette Tax by $1.50 and Tax Vapor Products as Other Tobacco Products	$ 44,606	$ 103,545	$ 100,087	$ 96,495
Changes in Income Tax Provisions - Surcharges, Alternative Minimum Tax, Deduction and Election Changes	$ 38,310	$ 93,298	$ 95,994	$ 98,294
Increase Sales Tax Rate to 6%	$ 67,424	$ 164,091	$ 169,104	$ 174,271
Apportionment of S-Corp and NE LLC Income	$ 35,360	$ 85,560	$ 87,280	$ 89,020
Creating a Rent Credit and Increasing Nebraska EITC	$ -	$ (15,345)	$ (15,506)	$ (15,670)
Increase the Documentary Stamp Tax by $0.50/$1,000	$ 2,021	$ 5,050	$ 5,250	$ 5,450
End Personal Property Tax Exemption Program	$ -	$ 14,800	$ 15,200	$ 15,600
Total Increase to Property Tax Credit Fund	**$ 267,833**	**$ 654,118**	**$ 673,549**	**$ 690,726**

The total increase to the Property Tax Credit Fund does not account for the funds to be appropriated to the Convention Center Support Fund pursuant §13-2609, the Sports Arena Facility Support Fund pursuant §13-3107(4), to school districts pursuant TEEOSA, to finance the School Financing Review Commission or to reimbursements for special education. Also, the additional revenue attributable to the Wayfair case is already included in the October NEFAB forecast. Therefore, item 1 above will not bring in any additional money that was not accounted for in the General Fund revenues forecast. The Department has no method to precisely track or calculate all revenue attributable to internet sellers or sellers specifically motivated to begin collecting due to this proposal or the guidance provided by the Department after the Wayfair case. While the Department does know the totals remitted by retailers remitting taxes in Nebraska, and some retailers sell only over the Internet, many also make taxable sales both over the Internet and in retail stores. Also, the Department cannot be certain based on name alone, who is selling over the Internet, making it impossible to precisely determine the total amount attributable to Internet sales.

LB 314 will requires a one-time programming charge of $104,759 for mainframe changes and web development costs for the Nebfile online filing system. The Department will also require one Revenue Auditor III, one Fiscal Compliance Analyst, one Revenue Operations Analyst II, two Revenue Agents, one Tax Specialist Senior, and two Tax Specialists for the first two fiscal years (decreasing to one Tax Specialist thereafter) to implement the bill. The total costs to implement the bill are as follows:

FY19-20	$622,659
FY20-21	$505,000
FY21-22	$423,300

Major Objects of Expenditure

Class Code	Classification Title	19-20 FTE	20-21 FTE	21-22 FTE	19-20 Expenditures	20-21 Expenditures	21-22 Expenditures
A21253	Revenue Auditor III	1	1	1	$52,700	$55,600	$54,500
A21211	Fiscal Compliance Analyst	1	1	1	$39,400	$41,700	$40,800
S29112	Revenue Operations Analyst II	1	1	1	$31,500	$33,300	$32,600
X29222	Revenue Agent	2	2	2	$72,200	$76,300	$74,700
A29622	Revenue Tax Specialist Senior	1	1	1	$59,900	$63,300	$62,000
A29621	Revenue Tax Specialist	2	2	1	$103,600	$109,500	$53,600
Benefits					$118,600	$125,300	$105,100
Operating Costs					$104,759		
Travel							
Capital Outlay					$40,000		
Capital Improvements							
Total					$622,659	$505,000	$423,300

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2019

LB(1) 314 REVISED

FISCAL NOTE

State Agency OR Political Subdivision Name: (2) Department of Education

Prepared by: (3) Bryce Wilson **Date Prepared:** (4) 2/12/19 **Phone:** (5) 402-471-4320

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	FY 2019-20		FY 2020-21	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	$50,000		$259,050,000	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	$50,000		$259,050,000	

Explanation of Estimate:

LB 314 increases the income tax rebate component in TEEOSA from 2.23% to 20%, increases the Special Education Reimbursement to 80% and creates the School Finance Review Commission through December 31, 2026. The Department of Education will lead the review of school funding in Nebraska with a preliminary report being due on November 2021 and final report due December 2021. After December 2021 the Commission shall review the results of the recommendations and report on even years beginning in 2022.

Additionally LB 314 enacts several tax changes in an effort to raise revenue for the State including eliminating personal property tax exemptions, increasing sales tax, eliminating sales and property tax exemptions and adds a surtax on high income tax earners. Revenue raised by the new sources is to be used to fund the increase in TEEOSA, Special Education Reimbursement and the costs of the School Finance Review Commission with any remaining money going to the Property Tax Credit Fund.

LB 314 would result in an increase in TEEOSA of around $79 million beginning in FY 2020/21. The increase in allocated income tax rebate only benefits the non-equalized districts. The special education reimbursement would result in an additional $180 million in 2020/21. The special education reimbursement would go to all public schools.

Additionally, the School Finance Review Commission is allocated at least $100,000 to complete the study of school funding in the State.

This bill would also enacts several tax changes that would result in additional revenue for the state but NDE cannot determine those amounts at this time.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

POSITION TITLE	NUMBER OF POSITIONS 19-20	20-21	2019-20 EXPENDITURES	2020-21 EXPENDITURES

Benefits				
Operating			$50,000	$50,000
Travel				
Capital outlay				
Aid				$259,000,000
Capital improvements				
TOTAL			$50,000	$259,050,000

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2019

LB(1) 314 REVISED **FISCAL NOTE**

State Agency OR Political Subdivision Name: (2) Nebraska Liquor Control Commission

Prepared by: (3) LeAnna Prange **Date Prepared: (4)** 2/12/19 amended **Phone: (5)** 402-471-4892

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	FY 2019-20		FY 2020-21	
	EXPENDITURES	**REVENUE**	**EXPENDITURES**	**REVENUE**
GENERAL FUNDS	90,000	0	0	0
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS	0	37,471,875	0	89,932,499
TOTAL FUNDS	90,000	37,471,875	0	89,932,499

Explanation of Estimate:

NLCC is proposing $90,000 expenditure to amend all online reporting systems to the proposed excise tax rates. This is an estimate only.

Other Funds would be Property Tax Credit Cash Fund as outlined in LB314, page 5, lines 18-20.

The total gallons used in calculation is the total gallons reported for excise tax in 2018. Therefore, these are the gallons used in calculating the increase. It would be the determination of NLCC that total gallons may not remain consistent to 2018 due to 1) decrease in consumption and 2) a probable increase of non Nebraska taxed product being illegally imported into the State. That probable increase in illegal importation would result in additional resources expended by the Nebraska State Patrol and the NLCC to enforce all applicable laws. However, the additional resources required is impossible to quantify.

The Revenue increase is outlined in this table:

	Based on 2018 reported gallons to NLCC				
	Beer	Spirits	Wine	Farm Wine	Total Revenue
Gallons	44,803,876	3,876,088	3,394,878	93,138	
Current rate	$0.31	$3.75	$0.95	$0.06	
Current Revenue	$13,889,201.56	$14,535,330.00	$3,225,134.10	$5,588.28	$31,655,253.94
Proposed rate	$1.38	$12.28	$3.51	$2.62	
Difference of rate	$1.07	$8.53	$2.56	$2.56	
Increase of Revenue	$47,940,147.32	$33,063,030.64	$8,690,887.68	$238,433.28	$89,932,498.92
TOTAL REVENUE if LB 314 passes (assuming consumption remains identical to 2018)					$121,587,752.86

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

POSITION TITLE	NUMBER OF POSITIONS 19-20	20-21	2019-20 EXPENDITURES	2020-21 EXPENDITURES
Benefits....................................			0	0
Operating....................................			90,000	0
Travel....................................			0	0
Capital outlay....................................			0	0
Aid....................................			0	0
Capital improvements..........................			0	0
TOTAL....................................			90,000	0

NLCC has 5 online reporting systems that collect excise taxes. These online reporting systems will need to be revised to accommodate new excise tax rates deposited to new funds. NLCC has confirmed with the vendor who maintains these reporting systems and estimated the cost of required programming.