

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

<b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)</b>				
	<b>FY 2021-22</b>		<b>FY 2022-23</b>	
	<b>EXPENDITURES</b>	<b>REVENUE</b>	<b>EXPENDITURES</b>	<b>REVENUE</b>
GENERAL FUNDS	\$186,119	(\$11,700,000)	\$44,800	(\$5,900,000)
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
<b>TOTAL FUNDS</b>	<b>\$186,119</b>	<b>(\$5,900,000)</b>	<b>\$44,800</b>	<b>(\$5,900,000)</b>

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

LB 502 seeks to amend sections of the Nebraska Advantage Act. LB 502 redefines direct sales tax refunds as sales tax exemptions for various sections. LB 502 allows for a sales and use tax exemption to be claimed on purchases for a tier 2, 4, 5, or 6 project agreements under the Nebraska Advantage Act. Direct payment permits are to be issued to these qualifying taxpayers, to be used in place of any direct sales tax refund.

LB 502 becomes operative three months after adjournment.

**Revenue:**

The Department of Revenue estimates LB 502 will create an immediate General Fund revenue loss from the sales and use tax exemptions granted. This is due to taxpayers qualifying for the new permit being exempt from sales and use tax on relevant purchases immediately, rather than being refunded at a later date. The Department of Revenue estimates the following General Fund revenue impact:

- FY21-22: (\$11,700,000)
- FY22-23: (\$5,900,000)
- FY23-24: (\$2,000,000)
- FY24-25: -

There is no basis to disagree with these estimates.

**Expenditures:**

The Department of Revenue estimates a one-time OCIO programming charge of \$137,319 to implement LB 502. Additionally, it is expected that a 1.0 FTE Revenue Analyst II will be needed to implement the changes made by LB 502. There is no basis to disagree with these estimates.

State Agency Estimate

State Agency Name: Department of Revenue		Date Due LFO:				
Approved by: Tony Fulton		Phone: 471-5896				
Date Prepared: LEAVE BLANK						
	<b>FY 2021-2022</b>		<b>FY 2022-2023</b>		<b>FY 2023-2024</b>	
	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>
General Funds	\$186,119	(\$11,700,000)	\$44,800	(\$5,900,000)	\$45,800	(\$2,000,000)
Cash Funds						
Federal Funds						
Other Funds						
Total Funds	\$186,119	(\$5,900,000)	\$44,800	(\$5,900,000)	\$45,800	(\$2,000,000)

LB 502 amends section 77-5725 of the Nebraska Advantage Act to allow taxpayers with tier 2, tier 4, tier 5, or tier 6 agreements to receive a direct pay permit and utilize a sales tax exemption in the place of a direct refund of sales and use taxes for purchases made during the entitlement period. The exemption covers sales and use tax, including local option tax, paid on purchases, including rentals, listed in 77-5725(2)(a), except that the exemption for subdivisions 77-5725(2)(a)(iii), (iv), and (v) is for the actual materials purchased.

Upon execution of the agreement or, for taxpayers whose agreement was executed prior to the effective date of this act, within 60 days after the effective date of this act, the taxpayer will be issued a direct payment permit under 77-2705.01 notwithstanding the 3 million limitation. The taxpayer will receive the certificate unless they opt out of the requirement. Taxpayers with agreements signed prior to the effective date of this act will have the option to make a one-time election to have the provisions of this act apply to their agreement.

Taxpayers who have received the permit must pay and remit sales and use tax until they meet the required employment and investment levels. Once the taxpayer has met levels they receive the sales tax refund described in 77-5725(2)(a). For any year in which the taxpayer is not at the required levels, they must report all sales and use taxes owed for the period on their income tax return for the year. DOR believes “income” tax is a drafting error that was copied from a similar error in LB 1107(2020), the Nebraska ImagiNE Act.

The operative date for LB 502 is three months after adjournment.

Major Objects of Expenditure

Class Code	Classification Title	21-22	22-23	23-24	21-22	22-23	23-24
		<u>FTE</u>	<u>FTE</u>	<u>FTE</u>	<u>Expenditures</u>	<u>Expenditures</u>	<u>Expenditures</u>
S29112	Revenue Analyst II	1.0	1.0	1.0	\$32,900	\$33,700	\$34,400
	Benefits.....				\$10,900	\$11,100	\$11,400
	Operating Costs.....				\$137,319		
	Travel.....						
	Capital Outlay.....				\$5,000		
	Capital Improvements.....						
	<b>Total.....</b>				\$186,119	\$44,800	\$45,800

Note that the revenue impact is mainly the shift in revenue when taxpayers take the exemption rather than refund at some later date. It is estimated that LB 502 will have the following impact to the General Fund revenues:

FY21-22	\$	(11,700,000)
FY22-23	\$	(5,900,000)
FY23-24	\$	(2,000,000)
FY24-25	\$	-

Because most income tax forms do not have a line to report use tax if the taxpayer is not at the required levels, LB 502 will require a one-time charge of \$137,319 for OCIO mainframe changes and a programming contractor. Additionally, DOR would require 1.0 FTE Revenue Analyst II to implement the bill.

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

**2021**

**LB<sup>(1)</sup> 502**

**FISCAL NOTE**

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

Prepared by: <sup>(3)</sup> Anthony Goins Date Prepared: <sup>(4)</sup> 1/23/2021 Phone: <sup>(5)</sup> 402-471-3777

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

	<u>FY 2021-22</u>		<u>FY 2022-23</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
<b>TOTAL FUNDS</b>	<b>=====</b>	<b>=====</b>	<b>=====</b>	<b>=====</b>

**Explanation of Estimate:**

LB502 amends the Nebraska Advantage Act to allow taxpayers with projects in certain tiers of the act to receive a direct pay permit from the Department of Revenue to report and pay sales and use taxes until the qualification levels are reached. Then the direct sales and use tax refunds available under Nebraska Advantage become a sales tax exemption.

LB502 would have no fiscal impact on the Department of Economic Development's programs or operations.

**BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE**

**Personal Services:**

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2021-22</u>	<u>2022-23</u>
	<u>21-22</u>	<u>22-23</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
<b>TOTAL.....</b>	<b>_____</b>	<b>_____</b>	<b>_____</b>	<b>_____</b>