

Revised for 2022 session

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

<b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)</b>				
	<b>FY 2022-23</b>		<b>FY 2023-24</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>(\$11,700,000)</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:

- FY22-23: (\$11,700,000)
- FY23-24: (\$5,900,000)
- FY24-25: (\$2,000,000)
- FY25-26: -

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.

The estimates provided are from the 2021 session. For purposes of this fiscal note, the years have been moved forward to coincide with the 2022 session.



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.

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**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	_____	_____	_____	_____
TOTAL FUNDS	=====	=====	=====	=====

**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.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____