

Revised to include AM 776 and AM 1076

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2021-22		FY 2022-23	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS		(\$7,335,000)		(\$15,308,000)
CASH FUNDS		(\$260,000)		\$3,247,000
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS		(\$7,641,000)		(\$12,061,000)

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

LB 595 seeks to exempt the gross receipts received from the sale, lease, or rental of and the storage, use, or other consumption in Nebraska of enzymes, yeast, and related products used in the process of manufacturing ethyl alcohol from sales and use taxes under the Nebraska Revenue Act of 1967.

LB 595 becomes operative October 1, 2021.

LB 595 was amended by AM 776, which incorporates provisions of LB 672 and amended versions of LB 502, LB 350, and LB 182. LB 595 was also amended by AM 1079, which removes the provisions of LB 502. The bills added do the following:

LB 182:

As amended, LB 182 exempts sales and use taxes from the gross receipts on the lease or use of towers or structures for the furnishing of Internet access service.

LB 350:

As amended, LB 350 extends the sunset date relating to the diversion of sales and use tax proceeds on the sale/lease of motorboats, personal watercraft, all-terrain vehicles and utility type vehicles to the Game and Parks Capital Maintenance Fund from October 1, 2022 to October 1, 2027. As such, the General Fund, the State Highway Capital Improvement Fund, and the Highway Allocation Fund will see a corresponding revenue loss from October 1, 2022 to October 1, 2027.

LB 350 was amended by the Revenue committee, and now requires the Game and Parks Commission to submit an annual report to the Legislature.

LB 672:

LB 672 seeks to amend the definition of depreciable agricultural machinery and equipment as it relates to the sales and use tax exemption allowed for the gross receipts from the sale, lease, or rental of such property. LB 672 defines agricultural machinery and equipment to be tangible personal property fulfilling one of the following purposes:

- Cultivating or harvesting of a crop;
- Raising or caring for animal life;
- Protecting the health and welfare of animal life; and
- Collecting or processing an agricultural product on a farm or ranch.

LB 672 provides examples of such property, which includes header trailers, head haulers, header transports, and seed tender trailers, but is not limited to this list.

The Department of Revenue estimates the following revenue impact to the General Fund, the State Highway Capital Improvement Fund, the Highway Allocation Fund, and the Game and Parks Commission Capital Maintenance Fund based on the sales and use tax exemptions created in LB 595, 182, 350, and 672, along with the extended diversion of sales tax to Game and Parks:

	General Fund	State Highway Capital Improvement Fund	Highway Allocation Fund	Game and Parks Commission Capital Maintenance Fund
FY21-22	(\$7,335,000)	(\$260,000)	(\$46,000)	-
FY22-23	(\$15,308,000)	(\$619,000)	(\$109,000)	\$3,866,000
FY23-24	(\$16,933,000)	(\$685,000)	(\$121,000)	\$5,162,000
FY24-25	(\$17,656,000)	(\$714,000)	(\$126,000)	\$5,291,000

There is no basis to disagree with these estimates.

The Department of Revenue estimates minimal cost to the Department to implement LB 595, as amended by AM 776 and AM 1079.

The Nebraska Game and Parks Commission estimates minimal costs to implement the provisions LB 595, as amended by AM 776 and AM 1079.

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

Date Prepared: 5/5/2021

Phone: 471-5896

Table with columns for FY 2021-2022, FY 2022-2023, and FY 2023-2024, with sub-columns for Expenditures and Revenue. Rows include General Funds, Cash Funds, Federal Funds, Other Funds, and Total Funds.

LB 350 proposed to amend Neb. Rev. Stat. § 77-27,132 to extend the distribution of the proceeds from the sales and use taxes imposed on sales or leases of motorboats, personal watercraft, all-terrain vehicles, and utility-type vehicles to the Game and Parks Commission Capital Maintenance Fund from October 1, 2022, to October 1, 2027. AM 776 LB 595 retains this amendment in section 10, and section 1 amends Neb. Rev. Stat. § 37-327.02 to require the Game and Parks Commission to submit a report on or before December 1, 2021, and annually thereafter, to the Clerk of the Legislature and the Revenue Committee.

LB 595 AM 776 section 7 retains the language in LB 595 which exempts gross receipts from the sale, lease, or rental of and the storage, use, or other consumption in this state of enzymes, yeast, and related products used in the process of manufacturing ethyl alcohol from sales and use taxes. The remaining provisions of LB 595 added this as a new section to the Nebraska Revenue Act of 1967 and harmonized provisions. These sections are also retained in sections 2, 3, 5, 8, 9, and 11 of AM 776.

LB 595 AM 776, Section 4 proposed to amend § 77-2701.16 to remove the gross income received for the lease or use of towers or other structures primarily used in conjunction with the furnishing of Internet access service from “gross receipts” for sales tax purposes.

LB 672 proposed to amend the sales and use tax exemption for depreciable agricultural machinery and equipment for use in commercial agriculture in Neb. Rev. Stat. § 77-2704.36. LB 672 defined agricultural machinery and equipment as tangible personal property that is used directly in (i) cultivating or harvesting a crop; (ii) raising or caring for animal life; (iii) protecting the health and welfare of animal life, including fans, curtains, and climate control equipment within livestock buildings; or (iv) collecting or processing an agricultural product on a farm or ranch, regardless of the degree of attachment to any real property. In addition, the bill provided that agricultural machinery and equipment includes, but is not limited to, header trailers, head haulers, header transports, and seed tender trailers. AM 779, Section 6 retains all of LB 672.

Major Objects of Expenditure

Table with columns for Class Code, Classification Title, FTE (21-22, 22-23, 23-24), and Expenditures (21-22, 22-23, 23-24). Rows include Benefits, Operating Costs, Travel, Capital Outlay, Capital Improvements, and Total.

AM 1079 removed from AM 776 those provisions from original LB 502, amending 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 sections pertaining to LB 595, LB 182, and LB 672 are operative on October 1, 2021. The remaining sections are operative on their effective date.

LB 595 amended by AM 776 and AM 1076 is estimated to have the following fiscal impact on General Fund revenues, State Highway Capital Improvement Fund, Highway Allocation Fund, and the Game and Parks Commission Capital Maintenance Fund:

Fiscal Year	General Fund Revenues	State Highway Capital Improvement Fund	Highway Allocation Fund	Game and Parks Commission Capital Maintenance Fund
FY2020-21	\$ -	\$ -	\$ -	\$ -
FY2021-22	\$ (7,335,000)	\$ (260,000)	\$ (46,000)	\$ -
FY2022-23	\$ (15,308,000)	\$ (619,000)	\$ (109,000)	\$ 3,866,000
FY2023-24	\$ (16,933,000)	\$ (685,000)	\$ (121,000)	\$ 5,162,000
FY2024-25	\$ (17,656,000)	\$ (714,000)	\$ (126,000)	\$ 5,291,000

It is estimated that there will be minimal costs to the Department to implement this bill.

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2021

**LB⁽¹⁾ 595 AM776 add Capital Maintenance Fund
Extension (LB350)**

FISCAL NOTE

State Agency OR Political Subdivision Name: (2) Nebraska Game and Parks Commission

Prepared by: (3) Patrick H. Cole Date Prepared: (4) 4/29/2021 Phone: (5) (402)-471-5523

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	_____	_____	_____	\$1,300,000
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	=====	=====	=====	\$1,300,000

Explanation of Estimate:

Among other things the proposed legislation as amended would extend the current sunset date of October 1, 2022 to October 1, 2027 for sales tax receipts currently designated for deposit in the Capital Maintenance Fund (CMF). This would add another 5 years worth of revenues to the fund. The average annual receipts deposited into the fund over the past 5 fiscal years is \$4,424,113 (high \$4.68M, low \$4.21). While the current FY revenues are up, it is likely an anomaly tied to the pandemic similar to the increase in permit sales experienced, so may likely be short lived. That said, an average of \$4.5 million will be used to estimate the annual fiscal impact of the 5-year extension (\$22.5 million over the 5 years).

It should be noted that an October 1 end date provides for revenues through December due to a 2-month lag in collection, submission and crediting to the CMF. The first effect of the extension would be realized in FY 22-23, increasing the current estimated receipts at \$3.2 million to the full FY estimate of \$4.5 for an increase in \$1.3 million as indicated above. The grand total for the extended period would be estimated at \$22.5 million.

The amendment also requires annual (Dec 1) reporting of the projects funded by CMF during the most recently completed fiscal year as well as a list of projects for the current fiscal year. The report is to be submitted electronically to the Clerk of the Legislature and the Revenue Committee. It is anticipated that the report could be accomplished with existing resources.

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.....	_____	_____	_____	_____