

Revised due to adoption of amendments on General File

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2022-23		FY 2023-24	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$22,188	(\$16,186,000)		(\$21,848,000)
CASH FUNDS		(\$760,000)		(\$1,053,000)
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$22,188	(\$16,946,000)		(\$22,901,000)

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

LB 984 amends provisions related to the fee imposed on the collection of sales and use taxes.

The collection tax fee is equal to 2.5% of the sales or use tax collected each month, up to \$3,000 per month. This applies to both collectors of the tax as well as taxpayers that would choose to deduct and withhold such amounts themselves. As amended by AM2130, the fee is increased to 3% of the first \$5,000 collected.

AM2130 also incorporates the provisions of LB 881, LB 941, and LB 1209.

LB 881 defines feminine hygiene products and grooming and hygiene products, and exempts the gross receipts on the sale, storage, use, or consumption of such products from sales and use taxes. LB 881 also defines detention facilities, and requires such facilities to provide feminine hygiene products to any female prisoner free of charge.

LB 941 defines “net wrap” as plastic wrap used in the baling of hay and provides for a sales and use tax exemption on the gross receipts from the sale, lease, or rental of net wrap used in commercial agriculture.

LB 1209 amends provisions relating to sales and use taxes to allow buyer-based tax-exemptions on qualified materials for construction projects to be recognized and utilized by a purchasing agent hired by the construction contractor.

LB 984 is operative October 1, 2022.

The Department of Revenue estimates the following impact on the General Fund and Cash Funds:

	General Fund	Highway Trust Fund	State Highway Capital Improvement Fund	Highway Allocation Fund	State Visitors Promotion Cash Fund	Tobacco Products Administration Cash Fund
FY22-23	(\$16,186,000)	(\$23,000)	(\$664,000)	(\$129,000)	(\$56,000)	(\$17,000)
FY23-24	(\$21,848,000)	(\$40,000)	(\$884,000)	(\$199,000)	(\$100,000)	(\$29,000)
FY24-25	(\$22,363,000)	(\$40,000)	(\$905,000)	(\$202,000)	(\$103,000)	(\$28,000)
FY25-26	(\$22,892,000)	(\$40,000)	(\$926,000)	(\$207,000)	(\$106,000)	(\$28,000)

The Highway Allocation Fund is a distributive fund to cities and counties, and as such, the revenue loss reflected to that fund is to political subdivisions and not reflected in the table at the top of the page. Furthermore, the department estimates an increase in collection fee revenue to counties, who remit motor vehicle sales tax, of approximately \$83,000 per fiscal year.

EXPENDITURES:

The Department of Revenue estimates a one-time cost of \$22,188 for a programming charge to OCIO to implement the bill. The Department of Motor Vehicles estimates a small expenditure increase to implement LB 984 that will be absorbed by the agency. The Department of Corrections estimates no fiscal impact. Lancaster County Corrections and Lancaster County Youth Services also estimate no cost to implement the bill.

There is no basis to disagree with these estimates.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 984	AM: 2130	AGENCY/POLT. SUB: City of Lincoln
REVIEWED BY: Neil Sullivan	DATE: 3/8/2022	PHONE: (402) 471-4179
COMMENTS: No basis to disagree with the City of Lincoln assessment of fiscal impact from LB 984 as amended by AM 2130.		

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 984	AM: 2130	AGENCY/POLT. SUB: City of Omaha
REVIEWED BY: Neil Sullivan	DATE: 3/15/2022	PHONE: (402) 471-4179
COMMENTS: No basis to disagree with the City of Omaha assessment of fiscal impact from LB 984 as amended by AM 2130.		

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 984	AM:	AGENCY/POLT. SUB: Lancaster County Corrections
REVIEWED BY: Neil Sullivan	DATE: 3/15/2022	PHONE: (402) 471-4179
COMMENTS: No basis to disagree with the Lancaster County Corrections assessment of no fiscal impact from LB 984.		

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 984	AM: 2130	AGENCY/POLT. SUB: Lancaster County Youth Services Center
REVIEWED BY: Neil Sullivan	DATE: 3/8/2022	PHONE: (402) 471-4179
COMMENTS: No basis to disagree with the Lancaster County Youth Services Center assessment of no fiscal impact from LB 984 as amended by AM 2130.		

State Agency Estimate

State Agency Name: Department of Revenue	Date Prepared: 4/8/2022		Date Due LFO:			
Approved by: Tony Fulton			Phone: 471-5896			
	FY 2022-2023		FY 2023-2024		FY 2024-2025	
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue
General Funds	\$22,188	(\$16,186,000)		(\$21,848,000)		(\$22,363,000)
Cash Funds		(\$760,000)		(\$1,053,000)		(\$1,076,000)
Federal Funds						
Other Funds		(\$129,000)		(\$199,000)		(\$202,000)
Total Funds	\$22,188	(\$17,075,000)		(\$23,100,000)		(\$23,641,000)

LB 984 AM 2130 amends LB 881, LB 941, and LB 1209 into LB 984.

The amendment to LB 984 increases the retailers' sales tax collection fee from 2.5% of the first \$3,000 of taxes remitted each month to 3% of the first \$5,000 in sales tax collected and remitted. This equals a maximum of \$150 per month per location in Nebraska.

LB 881 will exempt feminine hygiene products from sales and use tax. The proposed definition is consistent with the Streamlined Sales Tax Agreement definition of the term. The bill also provides that any female prisoner that needs a feminine hygiene product will receive the feminine hygiene product free of charge in a detention facility operated by the Department of Correctional Services, a city or county jail, institution operated by the state, a political subdivision, or a combination of political subdivisions for the careful keeping or rehabilitative needs of prisoners or detainees.

LB 941 exempts net wrap purchased for use in commercial agriculture from sales tax. Net wrap is defined to mean plastic wrap used in the baling of hay.

LB 1209 creates a Purchasing Agent Authorization (PAA) for manufacturers. The taxpayer may issue a PAA to the contractor so that the equipment may be purchased tax free. This is similar to the PAA program for nonprofit organizations and for taxpayers who qualify under the tax incentive programs. In both cases, the ultimate consumer may appoint a contractor to stand in their shoes and utilize the exemption as if the exempt entity were making the purchase directly. AM 2144 to LB 984 allows for a refund claim similar to the nonprofit buyer-based exemption.

LB 984 amended by AM 2130 is estimated to have the following fiscal impact on General Fund revenues, Highway Trust Fund, State Highway Capital Improvement Fund, Highway Allocation Fund, State Visitors Promotion Cash Fund, and Tobacco Products Administration Cash Fund:

Major Objects of Expenditure								
<u>Class Code</u>	<u>Classification Title</u>	<u>22-23 FTE</u>	<u>23-24 FTE</u>	<u>24-25 FTE</u>	<u>22-23 Expenditures</u>	<u>23-24 Expenditures</u>	<u>24-25 Expenditures</u>	
	Benefits.....							
	Operating Costs.....				\$22,188			
	Travel.....							
	Capital Outlay.....							
	Capital Improvements.....							
	Total.....				\$22,188			

Fiscal Year	General Fund Revenues	Highway Trust Fund	State Highway Capital Improvement Fund	Highway Allocation Fund (Cities and Counties)	State Visitors Promotion Cash Fund	Tobacco Products Administration Cash Fund
FY 2022-23	\$ (16,186,000)	\$(23,000)	\$ (664,000)	\$ (129,000)	\$ (56,000)	\$ (17,000)
FY 2023-24	\$ (21,848,000)	\$(40,000)	\$ (884,000)	\$ (199,000)	\$ (100,000)	\$ (29,000)
FY 2024-25	\$ (22,363,000)	\$(40,000)	\$ (905,000)	\$ (202,000)	\$ (103,000)	\$ (28,000)
FY 2025-26	\$ (22,892,000)	\$(40,000)	\$ (926,000)	\$ (207,000)	\$ (106,000)	\$ (28,000)

Counties remitting motor vehicle sales tax are expected to see an increase in their collection fees of \$0.083 million, in FY 2022-23, FY 2023-24, and FY 2024-25.

The bill will require a one-time programming charge of \$22,188 paid to the OCIO for mainframe programming costs.

The bill becomes operative October 1, 2022.

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

2022

LB⁽¹⁾ 984 AM 2130

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ City of Lincoln

Prepared by: ⁽³⁾ Claire Oglesby Date Prepared: ⁽⁴⁾ 3/6/22 Phone: ⁽⁵⁾ 402 441-8301

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2022-23</u>		<u>FY 2023-24</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____ (\$1,650,000)	_____	_____ (\$1,650,000)
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	=====	===== (\$1,650,000)	=====	===== (\$1,650,000)

Explanation of Estimate:

LB984 AM 2130 includes LB881, LB941 & LB1209.

The City of Lincoln would have a revenue loss in sales tax revenue. It is difficult to quantify the negative impact the City would have in revenues. We don't have data readily available on the sales tax from the exempt commodities or the number of businesses that would qualify for the maximum sales tax collection fee.

LB881 and LB941 provides a sales tax exemption and would have a minimal negative fiscal impact to the City's revenue.

LB1209 would allow buyer-based tax-exemptions on qualified materials for construction projects to be recognized and utilized by a purchasing agent hired by the construction contractor. Based off the fiscal notes provided by LFO and NDOR for LB1209, if the City of Lincoln is 10.5% of the State sales tax (based on 2020 NDOR data), the impact could be an annual revenue loss of \$1M.

LB984 increases the maximum amount of sales tax businesses keep for processing and remitting sales tax to the state. If 3,000 businesses have sales of \$5,000 or more per month to achieve the maximum collection fee, the City of Lincoln could have a revenue loss of \$650,000.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2022-23</u>	<u>2023-24</u>
	<u>22-23</u>	<u>23-24</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____

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

2022

LB⁽¹⁾ LB 984 AM2130

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ City of Omaha

Prepared by: ⁽³⁾ Jeff Roh Date Prepared: ⁽⁴⁾ 3-11-22 Phone: ⁽⁵⁾ (402) 444-5451

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2022-23</u>		<u>FY 2023-24</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	<u>(2,000,000)</u>	_____	<u>(2,000,000)</u>
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	<u>_____</u>	<u>(2,000,000)</u>	<u>_____</u>	<u>(2,000,000)</u>

Explanation of Estimate:

This is an estimate based on amount of businesses filing sales tax returns that could be impacted by this bill.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2022-23</u>	<u>2023-24</u>
	<u>22-23</u>	<u>23-24</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____

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

2022

LB⁽¹⁾ 984 AM2130

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Lancaster County Department of Corrections

Prepared by: ⁽³⁾ Joe Anderson Date Prepared: ⁽⁴⁾ March 11, 2022 Phone: ⁽⁵⁾ (402) 441-1919

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2022-23</u>		<u>FY 2023-24</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:

Lancaster County Department of Corrections does not foresee any fiscal impact arising from this proposed legislation.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2022-23</u>	<u>2023-24</u>
	<u>22-23</u>	<u>23-24</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____

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

2022

LB⁽¹⁾ 984, AM2130

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Lancaster County Youth Services Center

Prepared by: ⁽³⁾ Melissa Hood Date Prepared: ⁽⁴⁾ 3/04/2022 Phone: ⁽⁵⁾ 402-441-8659

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2022-23</u>		<u>FY 2023-24</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
CASH FUNDS	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
FEDERAL FUNDS	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
OTHER FUNDS	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL FUNDS	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>0</u></u>

Explanation of Estimate:

We do not charge for feminine hygiene products that are referred to in this legislative bill.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2022-23</u>	<u>2023-24</u>
	<u>22-23</u>	<u>23-24</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
N/A	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
N/A	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Benefits.....			<u>0</u>	<u>0</u>
Operating.....			<u>0</u>	<u>0</u>
Travel.....			<u>0</u>	<u>0</u>
Capital outlay.....			<u>0</u>	<u>0</u>
Aid.....			<u>0</u>	<u>0</u>
Capital improvements.....			<u>0</u>	<u>0</u>
TOTAL.....			<u><u>0</u></u>	<u><u>0</u></u>