

Revised per Response from Dept. of Revenue

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

<b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)</b>				
	<b>FY 2024-25</b>		<b>FY 2025-26</b>	
	<b>EXPENDITURES</b>	<b>REVENUE</b>	<b>EXPENDITURES</b>	<b>REVENUE</b>
GENERAL FUNDS	\$263,796	\$25,000,000		\$62,000,000
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
<b>TOTAL FUNDS</b>	<b>\$263,796</b>	<b>\$25,000,000</b>		<b>\$62,000,000</b>

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

Under LB 55, a luxury tax would be imposed upon the purchaser of any:

- Motor vehicle that costs more than \$50,000;
- Jewelry that costs more than \$5,000; and
- Clothing that costs more than \$1,000.

Purchases of the following would be exempt from the luxury tax:

- Any motor vehicle purchased by a nonresident serving on active duty in Nebraska as a member of the United States Armed Forces or the United States Reserve Forces or by such nonresident’s spouse;
- Any motor vehicle with a gross vehicle weight rating of more than \$12,500 pounds; and
- Any motor vehicle with a gross vehicle weight rating less than or equal to 12,500 pounds that is designed or used for commercial purposes and is registered as a commercial motor vehicle.

The luxury tax would be equal to 2.25% of the purchase price except when purchases exceed \$400,000. When purchases would exceed \$400,000, the luxury tax would be equal to 3.7% of the amount of the purchase price.

An additional tax would be added to the luxury tax for purchases of the following:

- Any passenger motor vehicle that costs more than \$100,000;
- Any watercraft that cost more than \$200,000;
- Any aircraft that costs more than \$500,000; and
- Jewelry, fur clothing, or fur footwear that costs more than \$5,000.

This additional tax would be equal to 5% of the portion of the purchase price that exceeds:

- \$80,000 for any passenger motor vehicle;
- \$200,000 for any watercraft;
- \$500,000 for any aircraft; and
- \$5,000 for jewelry, fur clothing, or fur footwear.

The luxury tax would be in addition to all other taxes.

The luxury tax would be collected by the seller and remitted to and enforced by the Department of Revenue (DOR).

All taxes remitted to the DOR under this bill would be remitted to the State Treasurer for credit to the General Fund.

The DOR could adopt and promulgate rules and regulations to carry out this bill.

The bill would become operative on January 1, 2025.

The DOR estimates the following increase to General Fund revenues as a result of this bill:

- FY25: \$25,000,000
- FY26: \$62,000,000
- FY27: \$64,000,000
- FY28: \$65,000,000

The DOR also estimates a one-time programming cost of \$263,796 to be paid to the Office of the Chief Information Officer (OCIO) as a result of the bill.

TECHNICAL NOTE: The DOR notes that the luxury tax on jewelry and clothing creates a compliance issue with the streamlined Sales and Use Tax Agreement which requires one sales and use tax rate on items of personal property or services.

**State Agency Estimate**

State Agency Name: Department of Revenue		Date Due LFO:			
Approved by: James R. Kamm		Phone: 471-5896			
Date Prepared: 8/1/2024					
<u>FY 2024-2025</u>		<u>FY 2025-2026</u>		<u>FY 2026-2027</u>	
<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>
General Funds	\$263,796	\$25,000,000		\$62,000,000	
Cash Funds					
Federal Funds					
Other Funds					
<b>Total Funds</b>	<b>\$263,796</b>	<b>\$25,000,000</b>		<b>\$62,000,000</b>	<b>\$64,000,000</b>

LB 55 creates a new “luxury tax” imposed on the purchaser of:

- Any motor vehicle that costs more than \$50,000.
- Jewelry that costs more than \$5,000.
- Clothing that costs more than \$1,000.

The following are exempt from the tax:

- Any motor vehicle purchased by a nonresident serving on active duty in Nebraska as a member of the United States Armed Forces or the United States Reserve Forces or by such nonresident’s spouse.
- Any motor vehicle with a gross vehicle weight rating of more than 12,500 pounds.
- Any motor vehicle with a gross vehicle weight rating less than or equal to 12,500 pounds that is designed or used for commercial purposes and is registered as a commercial motor vehicle.

Other information under LB 55:

- The luxury tax is in addition to all other taxes.
- The luxury tax is collected by the seller and remitted to and enforced by DOR.
- The luxury tax is remitted to the State Treasurer for credit to the General Fund.
- DOR may adopt and promulgate rules and regulations.

The tax rate is:

- Purchase less than \$400,000: 2.25% of the purchase price.
- Purchase less than \$400,000: 3.7% of the purchase price.

**Major Objects of Expenditure**

<u>Class Code</u>	<u>Classification Title</u>	<u>24-25 FTE</u>	<u>25-26 FTE</u>	<u>26-27 FTE</u>	<u>24-25 Expenditures</u>	<u>25-26 Expenditures</u>	<u>26-27 Expenditures</u>
	Benefits.....						
	Operating Costs.....				\$263,796		
	Travel.....						
	Capital Outlay.....						
	Capital Improvements.....						
	<b>Total.....</b>				<b>\$263,796</b>		

“Additional tax” will be added to the luxury tax for the following purchases when appropriate:

- Any passenger motor vehicle that costs more than \$100,000 in the amount of 5% of the portion of the purchase price that exceeds \$80,000 (please note limited to passenger motor vehicles);
- Any watercraft that cost more than \$200,000 in the amount of 5% of the portion of the purchase price that exceeds \$200,000;
- Any aircraft that costs more than \$500,000 in the amount of 5% of the portion of the purchase price that exceeds \$500,000; and
- Jewelry, fur clothing, or fur footwear that costs more than \$5,000 in the amount of 5% of the portion of the purchase price that exceeds \$5,000.

The luxury tax on jewelry and clothing would be a compliance issue with the Streamlined Sales and Use Tax Agreement which requires one sales and use tax rate on items of personal property or services.

It is estimated that LB 55 will have the following impact on the General Fund revenues:

Fiscal Year	General Fund revenues
FY24-25	\$25,000,000
FY25-26	\$62,000,000
FY26-27	\$64,000,000
FY27-28	\$65,000,000

LB 55 will require a one-time programming charge of \$263,796 paid to the OCIO for web team development.

The operative date for this bill is January 1, 2025.