

**FISCAL NOTE**  
 LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *				
	FY 2007-08		FY 2008-09	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS		(3,820,000)		(4,036,000)
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS		(3,820,000)		(4,036,000)

\*Does not include any impact on political subdivisions. See narrative for political subdivision estimates.

LB 3 creates a sales tax holiday, in which there is a sales and use tax exemption for clothing, school supplies, and computer equipment and software from the first Friday in August until the following Sunday. Details pertaining to each exempted item are contained in the bill. Per purchase exemption limits are as follows:

- Clothing: exempt on purchases of up to \$100
- School Supplies: exempt on purchases of up to \$50
- Computer software: exempt on purchases of up to \$350
- Computers and peripherals: exempt on purchases of up to \$3,500

Based on similar legislation in North Carolina, the estimated impact on Sales and Use tax receipts is estimated as follows:

<u>Fiscal Year</u>	<u>Revenue</u>
2007-08	(3,820,000)
2008-09	(4,036,000)
2009-10	(4,264,000)
2010-11	(4,505,000)

The Department of Revenue notes that the current version of the bill is not in compliance with the Streamlined Sales Tax Agreement. The definitions in this law must be in compliance with the Streamlined Sales Tax Agreement. The Streamlined Sale Tax Agreement requires notice of the exemption period at least sixty days prior to the first day of the calendar quarter in which the exemption period will begin, this means that in order to take effect in August 2007, the bill would need to be signed with the emergency clause by May 2.

Also, the issues of lay away sales, returns and exchanges, and items to be ordered are not addressed in this bill.

IMPACT ON POLITICAL SUBDIVISIONS: It is estimated that the effect on local option sales and use tax returned to municipalities would be as follows:

<u>Fiscal Year</u>	<u>Revenue</u>
2007-08	(871,000)
2008-09	(920,000)
2009-10	(972,000)
2010-11	(1,027,000)