

FISCAL NOTE
 LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2019-20		FY 2020-21	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$70,633	(\$1,351,000)		(\$1,385,000)
CASH FUNDS		(\$55,000)		(\$56,000)
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$70,633	(\$1,406,000)		(\$1,441,000)

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

LB 410 amends the Nebraska Revenue Act of 1967 to create a sales and use tax exemption on the gross receipts from the sale of certain property if sold between 12:01 a.m. on the first Friday of August and 11:59 p.m. the following Saturday. Exempt items include clothing with a sale price of \$100 or less and footwear with a sale price of \$150 or less, subject to certain limitations.

Exempt sales are reported on the retailer’s sales and use tax return. The bill provides for when a layaway sale qualifies; how coupons and discounts affect whether the item is within the threshold under the exemption; how articles sold as a single unit are treated for purposes of the exemption; rain checks; returns or exchanges during or after the exempt period; delivery charges including shipping, handling, and service charges; and the applicable time zone.

The operative date of the bill is July 1, 2019, and contains the emergency clause.

Revenue:

The Department of Revenue estimates the following revenue to the General Fund, the State Highway Capital Improvement Fund, and the Highway Allocation Fund:

Fiscal Year	General Fund	State Highway Capital Improvement Fund	Highway Allocation Fund	Total
2019-2020	(\$1,351,000)	(\$55,000)	(\$10,000)	(\$1,416,000)
2020-2021	(\$1,385,000)	(\$56,000)	(\$10,000)	(\$1,451,000)
2021-2022	(\$1,418,000)	(\$57,000)	(\$10,000)	(\$1,485,000)
2022-2023	(\$1,455,000)	(\$59,000)	(\$10,000)	(\$1,524,000)

Expenditures:

The department estimates a one-time charge of \$70,633 to OCIO for development costs 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: 410	AM:	AGENCY/POLT. SUB: Department of Revenue	
REVIEWED BY: Lee Will	DATE: 3/12/2019	PHONE: (402) 471-4175	
COMMENTS: No basis to disagree with the Department of Revenue’s assessment of fiscal impact.			

State Agency Estimate

State Agency Name: Department of Revenue		Date Due LFA: 3/11/19			
Approved by: Tony Fulton		Phone: 471-5896			
Date Prepared: 3/8/19					
FY 2019-2020		FY 2020-2021		FY 2021-2022	
Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue
General Funds	\$70,633	(\$1,351,000)			
Cash Funds		(\$55,000)			(\$57,000)
Federal Funds					
Other Funds		(\$10,000)			(\$10,000)
Total Funds	\$70,633	(\$1,416,000)		(\$1,451,000)	(\$1,485,000)

LB 410 creates a new section of the Nebraska Revenue Act that exempts from sales and use tax the gross receipts from the sale, use, or other consumption in the state of the following tangible personal property that is sold between 12:01 a.m. on the first Friday of August and 11:59 p.m. the following Saturday: clothing with a sales price of \$100.00 or less per item and footwear with a sales price of \$150.00 or less per item.

The exemption does not apply to clothing accessories or equipment; protective equipment; sport or recreational equipment; items used in trade or business; any items sold in a theme park, entertainment complex, public lodging establishment, or airport; or the lease or rental of any item. The exempt sales will be reported to the Department of Revenue on the retailer’s sales and use tax return. LB 410 establishes the taxability for items purchased on layaway, items that have been discounted by the seller, items normally sold as a single unit, purchases with rain checks, exchanges and delivery charges. The eligible property qualifies for exemption if (1) the item is both delivered to and paid for by the customer during the exemption period or (2) the customer orders and pays for the item and the seller takes an action to fill the order for immediate shipment during the exemption period. LB 410 provides a sixty-day period after the exemption period during which a customer may return an item that would qualify for the exemption and receive a refund of sales tax if the customer has receipt or invoice or the seller has sufficient documentation to show that sales tax was paid.

LB 410 amends several sections of the Nebraska Revenue Act to include the new section into the existing statutes. It amends Neb. Rev. Stat. §§ 77-2701, 77-2701.04, 77-2701.41, 77-2713 and 77-27,223.

Based on the Census data, the total number of households in Nebraska is 748,405 and 18% of households are families with children age 6-17 years old. Therefore, approximately 134,000 families may conduct back to school shopping. Based on the National Retail Federation survey, about 27% of the parents who planned to start shopping at least two months before the beginning of school, which means approximately 73% of the parents, would conduct back to school shopping in August. Among those parents who conduct back to school shopping in August, the Department assumes that about 70% of the families would conduct back to school shopping during the sales tax holiday. The National Retail Survey shows that parents planned to spend about \$237 on clothes and \$139 on shoes for back to school shopping. Therefore, the Department estimates that LB 410 would reduce the General Fund revenues as follows:

Fiscal Year	General Fund	State Highway Capital Improvement Fund	Highway Allocation Fund	Total
2019-2020	\$ 1,351,000	\$ 55,000	\$ 10,000	\$ 1,416,000
2020-2021	\$ 1,385,000	\$ 56,000	\$ 10,000	\$ 1,451,000
2021-2022	\$ 1,418,000	\$ 57,000	\$ 10,000	\$ 1,485,000
2022-2023	\$ 1,455,000	\$ 59,000	\$ 10,000	\$ 1,524,000

LB 410 will require a one-time charge of \$70,633 for development costs paid to OCIO.

The operative date for LB 410 is July 1, 2019.

Major Objects of Expenditure

<u>Class Code</u>	<u>Classification Title</u>	<u>19-20 FTE</u>	<u>20-21 FTE</u>	<u>21-22 FTE</u>	<u>19-20 Expenditures</u>	<u>20-21 Expenditures</u>	<u>21-22 Expenditures</u>
	Benefits.....						
	Operating Costs.....				\$70,633		
	Travel.....						
	Capital Outlay.....						
	Capital Improvements.....						
	Total.....				\$70,633		