

FISCAL NOTE
 LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *				
	FY 2009-10		FY 2010-11	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$27,400		\$22,600	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$27,400		\$22,600	

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

LB 640 would amend the Nebraska Advantage Act.

The bill provides that a city, village, county, or municipal county has the option to determine whether or not local sales and use taxes are refundable under the Nebraska Advantage Act. Sales and use taxes, including local option sales and use taxes, are refundable under current law for economic development projects meeting the necessary criteria for employment and investment.

The bill requires the governing body of a city, village, county or municipal county to determine by ordinance or resolution whether or not to refund the local option sales and use tax. If the governing body of a city, village, county, or municipal county takes no action, the local option sales and use taxes shall continue to be refundable. The provisions of LB 460 would apply only to project applications filed after the operative date of the bill.

LB 640 would have no fiscal impact to state sales and use tax revenue.

The Department of Revenue estimates the total local option sales tax to be refunded to cities and counties under the incentive programs to be as follows:

FY2009-10:	\$14,903,000
FY2010-11:	\$16,031,000
FY2011-12:	\$16,250,000
FY2012-13:	\$17,980,000

Over time, if all affected cities and counties opted out under the provisions of LB 640, the reduction in refunds from local governments would approximate the above amounts.

The Department of Revenue estimates the cost to implement LB 640 to be approximately \$27,400 for FY2009-10, \$22,600 for FY2010-11, and \$23,100 for FY2011-12, and includes cost of 0.5 FTE for a fiscal compliance analyst.

IMPACT TO POLITICAL SUBDIVISIONS:

The City of Lincoln estimates that the city refunds approximately \$2 million per year of local option sales taxes. The city also indicates that since refunds take some time to get made, the impact would be less in the first and second year than in future years if the city was to choose not to refund the local option sales tax. It is assumed that other cities would be in a similar position.

DEPARTMENT OF ADMINISTRATIVE SERVICES

REVIEWED BY	Lyn Heaton	DATE	3/17/09	PHONE	471-2526
COMMENTS					
CITY OF LINCOLN – Fiscal impact is indeterminate.					