

PREPARED BY: Doug Gibbs
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 PHONE: 471-0051

LB 918

Revision: 01

Revised due to adoption of amendment on General File and additional information from Dept. of Revenue

FISCAL NOTE
 LEGISLATIVE FISCAL ANALYST ESTIMATE

| ESTIMATE OF FISCAL IMPACT – STATE AGENCIES * | | | | |
|---|---------------------|----------------|---------------------|----------------|
| | FY 2010-11 | | FY 2011-12 | |
| | EXPENDITURES | REVENUE | EXPENDITURES | REVENUE |
| GENERAL FUNDS | \$32,100 | | \$52,200 | |
| CASH FUNDS | | | | |
| FEDERAL FUNDS | | | | |
| OTHER FUNDS | | | | |
| TOTAL FUNDS | \$32,100 | | \$52,200 | |

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

LB 918, as amended by AM 1905, amends the Nebraska Advantage Act, to change a property tax exemption for data centers from the current investment level for a Tier 4 project of \$10 million and 100 employees to a Tier 2 project level of \$3 million and 30 employees. The bill redefines technology services and development to include all software that is delivered over the Internet or by other electronic data-transfer means. The bill also redefines a qualified sale of technology services and systems to qualify as being out of state sales, regardless of the location of the customers.

Qualified property for exported technology services is expanded to include software or data that is on computers that are owned by the applicant, customer, or a third party, regardless of the location of the computer.

The bill, as amended, redefines compensation from total wages subject to withholding to any wages subject to Medicare tax.

The Department of Revenue now estimates LB 918 to have the following short-term fiscal impact on revenue:

| | |
|------------|-------------|
| FY2010-11: | \$ 0 |
| FY2011-12: | \$ 0 |
| FY2012-13: | (\$ 77,000) |

The Department of Revenue estimates the cost to implement LB 918 to be \$32,100 for FY2010-11, \$52,200 for FY2011-12, and \$53,400 for FY2012-13 which includes the cost of hiring one FTE auditor to audit the additional projects. In the original fiscal note issued by the Department on LB 918 travel cost was not included, however, it is included in this estimate.

The Department assumes that LB 918 would result in one additional Tier 1 and Tier 4 project every three years, and one additional Tier 2, 5, and 6 projects per year. By FY2019-20 the bill is expected to reduce General Fund revenue by approximately \$13 million per year.

There is no basis to disagree with the Department's estimate of fiscal impact or cost.

IMPACT TO POLITICAL SUBDIVISIONS:

The Department of Revenue estimates the property tax revenue loss to local political subdivisions statewide to be approximately \$3.75 million per year, per project.