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 DATE PREPARED: February 22, 2010  
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**LB 967**

Revision: 00

# FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

<b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *</b>				
	<b>FY 2010-11</b>		<b>FY 2011-12</b>	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS				

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

LB 967 amends Nebraska Statutes Sections 77-4106 and 77-5726 dealing with tax incentives and local options sales and use tax refunds.

The bill would create the Local Option Sales Tax Refund Fund. Each city of the first class, city of the second class, and villages that have refunded local option sales and use taxes to eligible businesses under the Employment and Investment Growth Act or the Nebraska Advantage Act would be required to participate and either pay into the Fund or receive refunds from the Fund.

In a calendar year, if a municipality's incentive refunds for the three previous calendar years average more than 10 percent of the municipality's sales and use tax revenue for that calendar year, the municipality will receive a refund of the amount in excess of the 10 percent amount for that year from the Fund.

In a calendar year, if a municipality's incentive refunds for the three previous calendar years average less than 10 percent of the municipality's sales and use tax revenue for that calendar year, the municipality shall pay into the Fund the amount less than the 10 percent amount for that calendar year.

The bill does not indicate when a city pays into the Fund or receives payment from the Fund, whether that is done monthly, quarterly, or annually. The bill also does not specify a mechanism for payment or filing for a refund. It is also unclear if a claim for a refund may carry over to the next calendar year. The bill does not provide an operative date or indicate a tax year so it assumed that the bill will apply to current projects and future applications.

**IMPACT TO LOCAL POLITICAL SUBDIVISIONS:**

The Department of Revenue has provided the following information regarding estimated fiscal impact of LB 967:

Between 2006 and 2008, the last three years for which calendar year data is available, the fund proposed by LB 967 would have had a balance in excess of \$20 million. Between five and six municipalities would have benefited from the Fund, receiving an average payment of \$118,600 annually. The 20 largest donor municipalities would have contributed an average of approximately \$371,000 per city per year to the fund.

While not specified, it is assumed the Department of Revenue would administer the Fund. The Department indicates the costs to administer LB 967 would be minimal.

No state funds are contributed to the Local Option Sales Tax Refund Fund. The Fund balance represents an increase to the Fund and a reduction to local option sales and use tax.

**DEPARTMENT OF ADMINISTRATIVE SERVICES**

REVIEWED BY	Lyn Heaton	DATE 2/23/10	PHONE 471-2526
COMMENTS			
DEPARTMENT OF REVENUE: No basis upon which to disagree.			