

FISCAL NOTE
 LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *				
	FY 2006-07		FY 2007-08	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	104,945	16,022,000	62,382,015+	37,313,000
CASH FUNDS			(165,000)	(165,000)
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	104,945	16,022,000	62,217,015+	37,148,000

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

LB 1073 exempts all personal property from property tax.

- For the purposes of this estimate, personal property has been defined as: agricultural machinery, commercial and industrial personal property, and railroad and public service personal property. Also, this legislation would remove the credit to the Department of Property Assessment and Taxation's (DPAT) Cash Fund of the 3% collection fee received from the airlines and air carrier tax. This bill has an operative date of January 1, 2007.
- The DPAT states that if this bill were to become law, \$165,000 would be requested from the General Fund to make up for lost revenues (3% collection fee), as the personnel expenses that were previously covered would still be necessary.
- Because of a loss of an estimated \$7,384,471,834 in taxable valuations, the Fiscal Office estimates the amount of State Aid for equalized systems will increase by up to \$62,000,000.
- The exemption will potentially cause an increase in property tax levies as well, thereby causing a currently undeterminable increase in the Homestead Exemption program.

LB 1073 repeals the sales tax exemptions on railroad rolling stock, common carrier vehicles, coin-operated laundries, molds and dies, manufacturing machinery and equipment, and agricultural equipment.

- For the purposes of this estimate, it is assumed that all common carrier vehicles will be purchased and placed in service outside of Nebraska, and that railroad rolling stock will be purchased outside the state and exempt from use tax when brought into the state. The Department of Revenue estimates the impact on sales tax collections to be \$16.022, \$37.313, and \$37.509 million in FY07 through FY09, respectively.
- The Department of Revenue estimates implementation costs of \$104,945 if FY07 and \$217,015 in FY08 to support increases in the audit staff. These individuals would cover the questions and audits associated with the repeal of long-standing exemptions.

Expense Item	FY07	FY08	FY07	FY08
Revenue Audit Senior	2.0 FTE	4.0 FTE	80,418	165,660
Benefits			24,527	51,355
Total			104,945	217,015

IMPACT ON POLITICAL SUBDIVISIONS:

- A loss of \$7,384,471,834 in taxable valuations translates to a loss of \$141,147,679 in property tax collections for political subdivisions. It is possible that some of this loss would be recovered by increasing the tax levies on real estate to the extent that local political subdivisions are under the levy limit.
- Sections 11 and 12 of LB 1073 increase the referenced appropriations amounts for aid to municipalities, counties, and natural resource districts. Because the amounts paid to these respective entities are currently less than the amounts referenced in statute, the changes would have no direct fiscal impact.
- The amount of sales and use tax returned to municipalities should increase by approximately \$3.68 million in FY07 and \$8.51 million in FY08 and FY09.

DEPARTMENT OF ADMINISTRATIVE SERVICES

REVIEWED BY	Lyn Heaton	DATE 2/7/06	PHONE 471-2526
COMMENTS			
NEBRASKA DEPARTMENT OF EDUCATION: Concur. No fiscal impact on NDE operations. DEPARTMENT OF PROPERTY ASSESSMENT AND TAXATION: No basis upon which to disagree.			