

FISCAL NOTE
 LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *				
	FY 2005-06		FY 2006-07	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	4,224	(8,575,000)	4,281	(32,375,000)
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	4,224	(8,575,000)	4,281	(32,375,000)

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

This bill requires the state and local sales tax rate to be within the twenty lowest tax rate states by 2010. These rate adjustments are to occur over a 5 year period starting on January 1, 2006. The Department of Revenue (DOR) is to complete a sales tax study annually. The bill states that for 2006 through 2010, the following rates will be in effect:

Calendar Year (CY)	Sales Tax Rate	
	State	Local
CY2006	5.40	1.40
CY2007	5.30	1.30
CY2008	5.20	1.20
CY2009	5.10	1.10
CY2010	4.90	1.10

Currently, the state rate is 5.5% and local political subdivisions can impose up to 1.5%.

STATE IMPACT: This bill will reduce General Fund revenues and the reduction is estimated in the following table using data from the Department of Revenue (DOR):

	FY06	FY07	FY08	FY09
Estimated Revenue Reduction	(8,575,000)	(32,375,000)	(58,900,000)	(85,820,000)

The Legislative Fiscal Office rounded the DOR's revenue reduction amounts to the nearest \$1,000.

The DOR notes that there are currently only 15 states that have a combined state and local rate lower than Nebraska's rate.

The DOR estimates expenditures at \$ 4,224 in FY06 and \$4,281 in FY07. The agency notes that these costs are for personnel, except for computer programming costs of \$2,240.

The Department of Roads notes that all sales tax revenues on motor vehicles over 5% goes to the General Fund and this bill will not reduce the sales tax rate below 5% during the next biennium. Therefore, the Highway Trust Fund will not be impacted until the state sales tax rate falls below 5%.

IMPACT ON POLITICAL SUBDIVISIONS: This bill will reduce revenues to political subdivisions that have a local option sales tax. The reduction is estimated as follows:

	FY2006	FY2007	FY2008	FY2009
Political Subdivisions Revenue Reduction	(1,972,000)	(7,446,000)	(13,547,000)	(19,739,000)

DEPARTMENT OF ADMINISTRATIVE SERVICES

REVIEWED BY	Lyn Heaton	DATE 3/2/05	PHONE 471-2526
COMMENTS			
REVENUE: The agency analysis appears reasonable. ROADS: The agency estimate appears reasonable.			