PREPARED BY: DATE PREPARED: PHONE: Douglas Gibbs January 18, 2018 402-471-0051

LB 730

Revision: 00

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

| ESTIMATE OF FISCAL IMPACT — STATE AGENCIES (See narrative for political subdivision estimates) | | | | | | |
|--|--------------|-------------|--------------|-------------|--|--|
| | FY 201 | 8-19 | FY 2019-20 | | | |
| | EXPENDITURES | REVENUE | EXPENDITURES | REVENUE | | |
| GENERAL FUNDS | \$9,372 | | \$0 | | | |
| CASH FUNDS | | \$4,131,000 | | \$5,676,000 | | |
| FEDERAL FUNDS | | | | | | |
| OTHER FUNDS | | | | | | |
| TOTAL FUNDS | \$9,372 | \$4,131,000 | \$0 | \$5,676,000 | | |

Any Fiscal Notes received from state agencies and political subdivisions are attached following the Legislative Fiscal Analyst Estimate.

LB 730 creates the Ammunition Excise Tax Act.

The bill would impose a tax upon the sale of ammunition by a retail dealer equal to 10% of the sales price of the ammunition sold.

The tax is to be collected concurrently and in the same manner as the sales tax.

Revenue from the tax is to be distributed as follows:

- > 50% to the Wildlife Conservation Fund;
- > 50% to the Violence Prevention Cash Fund.

The tax shall not be imposed on ammunition sold to an office, division, or agency of the United States, State of Nebraska, or political subdivision of the state. The tax is also not imposed on blank ammunition.

The Nebraska Game and Parks Commission assumes an estimated total of 222,556 individuals who purchase ammunition in Nebraska at an average of \$60 per year spent on average. This would result in tax revenue of approximately \$1,335,336, which split between the two funds would be \$667,668 each.

The Department of Revenue estimates the following fiscal impact:

| | | Violence Prevention Cash | | | |
|--------------|-----------------------------|--------------------------|-------------------|--|--|
| Fiscal Year: | Wildlife Conservation Fund: | Fund: | Total Cash Funds: | | |
| 2018-19: | \$ 2,065,500 | \$ 2,065,500 | \$,4,131,000 | | |
| 2019-20: | \$ 2,838,000 | \$ 2,838,000 | \$ 5,676,000 | | |
| 2020-21: | \$ 3,249,500 | \$ 3,249,500 | \$ 6,499,000 | | |

The Department of Revenue indicates that will require a one-time cost of \$9,372 paid to the Office of the CIO for programming.

While we do not fault the Game and Parks assumption and estimate of fiscal impact, we believe the estimate provided by the Department of Revenue is based on better available data and we have no basis to disagree with the Department of Revenue's estimate of fiscal impact and cost.

LB 730 Fiscal Note 2018

| State Agency Estimate | | | | | | | |
|-------------------------------|---------------------|----------------|--------------|--------------|---------------------|-------------|--|
| State Agency Name: Department | t of Revenue | | | | Date Due LFA: | 1/22/2018 | |
| Approved by: Tony Fulton | | Date Prepared: | 1/22/2018 | | Phone: 471-5896 | | |
| FY 2018-2019 | | FY 2019-2020 | | FY 2020-2021 | | | |
| | Expenditures | Revenue | Expenditures | Revenue | Expenditures | Revenue | |
| General Funds | \$ 9,372 | | \$ 0 | | \$ 0 | | |
| Cash Funds | | \$4,131,000 | | \$5,676,000 | | \$6,499,000 | |
| Federal Funds | | | | | | | |
| Other Funds | | | | | | | |
| Total Funds | \$ 9,372 | \$4,131,000 | \$ 0 | \$5,676,000 | \$ 0 | \$6,499,000 | |
| | | | | | | | |

LB 730 would impose an excise tax on sales of ammunition. Ammunition is defined as any cartridge or shotgun shell designed for use in a firearm, but does not include rivet drivers or signaling flares. The tax would be 10% of the sales price as defined in Neb. Rev. Stat. § 77-2701.35. The Department of Revenue is to collect the excise tax with the sales tax and applicable provisions of the Revenue Act apply to collection and enforcement of the tax. The Department is also given regulation authority. The tax does not apply to sales to the United States, Nebraska or any political subdivision of Nebraska. Proceeds are to be divided equally between the Wildlife Conservation Fund and the Violence Prevention Cash Fund.

The operative date is three months after enactment.

This would be a new tax category, it would require adding the ability to apply under the Nebraska Tax Application. The Department estimates a cost of \$9,372 for an OCIO programming contractor to implement this bill.

The Department estimates the following impact on Cash Fund revenues

| Fiscal Year | Total Cash Funds | Wildlife Conservation Fund | Violence Prevention Cash Fund |
|-------------|------------------|-------------------------------|----------------------------------|
| 2018-19 | \$4,131,000 | \$2,065,500 | \$2,065,500 |
| 2019-20 | \$5,676,000 | \$2,838,000 | \$2,838,000 |
| 2020-21 | \$6,499,000 | \$3,249,500 | \$3,249,500 |

| Major Objects of Expenditure | | | | | | | |
|------------------------------|----------------------|---------------------|---------------------|---------------------|-----------------------|-----------------------|-----------------------|
| Class Code | Classification Title | 18-19 <u>FTE</u> | 19-20 <u>FTE</u> | 20-21 <u>FTE</u> | 18-19 Expenditures | 19-20 Expenditures | 20-21 Expenditures |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| Benefits | | | | | | | |
| Operating Costs | | | | \$ 9,372 | | | |
| Travel | | | | | | | |
| Capital Outlay | | | | | | | |
| Capital Improvements. | | | | | | | |
| Total | | | | \$ 9,372 | | | |

Capital improvements......

TOTAL.....

LB⁽¹⁾ 730 Ammunition Excise Tax Act **FISCAL NOTE** Nebraska Game and Parks Commission State Agency OR Political Subdivision Name: (2) Prepared by: (3) Patrick H. Cole Date Prepared: (4) 1/5/2017 Phone: (5) 402-471-5523 ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION FY 2018-19 FY 2019-20 REVENUE **EXPENDITURES EXPENDITURES REVENUE GENERAL FUNDS CASH FUNDS** See below See below FEDERAL FUNDS OTHER FUNDS **TOTAL FUNDS** Explanation of Estimate: The proposed legislation establishes the Ammunition Excise Tax Act. The act would impose a 10% tax on the sale price of ammunition sold. Ammunition sold to an office, division, or agency of the United States. State of Nebraska or political subdivision would be exempt. The proceeds from the tax would be split 50% to the Wildlife Conservation Fund (23350) and 50% to the Violence Prevention Cash Fund. The former fund is associated with the Nebraska Game and Parks Commission and the impetus for this fiscal note. The Tax Commissioner is responsible for collection of the tax and subsequent remittance to the State Treasurer for distribution as outlined. There is no indication of withholding any administrative fees, thus it is presumed all collected monies would be distributed to the two identified funds. The amount of revenue collected will be determined by the number of non-exempt sales that would occur. Since current or historical detailed records are not readily available, all fiscal impacts will be estimates within the parameters of set assumptions. The following assumptions are applied: The number of boxes of ammunition sold is a factor of the number of licensed hunters and active shooters in the state. The most recent number of certified hunters reported to the USFWS is 183,056. The National Shooting Sports Foundation's (NSSF) report, "Target Shooting in America" estimates there are around 158,000 target shooters in Nebraska. Assuming at least 75% of shooters are also hunters, the estimated total number of individuals that would be purchasing ammunition could be (183,056 + 158,000X0.25) = 222,556. Continued..... BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE Personal Services: NUMBER OF POSITIONS 2018-19 2019-20 POSITION TITLE **EXPENDITURES EXPENDITURES** 18-19 19-20 Benefits..... Operating..... Travel..... Capital outlay..... Aid.....

The amount of ammunition consumed/purchased would be quite variable by the individual and their type and level of activity (target shooter and big game hunter ammunition is more expensive than upland game hunters, i.e. center-fire versus shotgun). Certainly factors like reloading would have an impact (e.g. trap/skeet shooters shoot more than upland game hunters but are more likely to reload). Price of ammunition also varies based on type (rifle, handgun, rimfire, shotgun) and amount in a box (bulk/small quantity); estimates \$5-several hundred dollars. For purposes of this note, we will assume that \$60/year is spent on average (figure suggested by NSSF)

Using these assumptions could produce (222,556 x 60 x .10%)= \$1,335,336 annually in excise taxes, split \$667,668 to each fund.

The timing of implementation would also be a factor of how much money would be realized when. Due to the many unknown variables affecting the fiscal impact, no official estimate is provided for either FY at this time.