

**FISCAL NOTE**  
**LEGISLATIVE FISCAL ANALYST ESTIMATE**

| <b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)</b> |                     |                       |                     |                    |
|---|---------------------|-----------------------|---------------------|--------------------|
|   | <b>FY 2021-22</b>   |                       | <b>FY 2022-23</b>   |                    |
|   | <b>EXPENDITURES</b> | <b>REVENUE</b>        | <b>EXPENDITURES</b> | <b>REVENUE</b>     |
| GENERAL FUNDS   |                     | (\$10,976,500)        |                     | (\$249,150)        |
| CASH FUNDS  | \$37,500            | (\$45,200)            |                     | (\$21,600)         |
| FEDERAL FUNDS   |                     |                       |                     |                    |
| OTHER FUNDS   |                     |                       |                     |                    |
| <b>TOTAL FUNDS</b>  | <b>\$37,500</b>     | <b>(\$11,021,750)</b> |                     | <b>(\$270,750)</b> |

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

LB 234 changes provisions related to corporate reports and occupation taxes.

The bill's provisions change filing dates for such reports and payment of occupation taxes to occur on March 1, 2025 and on March 1 every five years thereafter (quinquennial). Current statute calls for such reports to be filed every two years.

The Secretary of State estimates the cost for updating the filing system to be \$37,500 in fiscal year 2021-2022. This estimate appears to be reasonable.

LB 234's shifting filings and remittance of occupation taxed to a five year basis, rather than the current 2 year basis will dramatically affect revenue that is remitted to the General Fund and Cash Funds. Based on current receipts, the General Fund receives approximately eleven million dollars (\$11,000,000) and cash funds receive \$45,200 each even numbered year from filing fees and taxes addressed in LB 234. For odd numbered years, the General Fund receives approximately \$250,000 and Cash Funds receive \$21,600.

The bill's language strikes reference to biennial reporting and replaces it with quinquennial reporting. By altering the wording in this way, biennial reporting will not occur any longer. The next reporting date will be March 1, 2025. Therefore, revenue loss will occur beginning in 2022.

The Secretary of State's estimates appear to be reasonable.

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2021

LB<sup>(1)</sup> 234

FISCAL NOTE

State Agency OR Political Subdivision Name: <sup>(2)</sup> Secretary of State

Prepared by: <sup>(3)</sup> Joan Arnold Date Prepared: <sup>(4)</sup> 1/12/2021 Phone: <sup>(5)</sup> 402-471-2384

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

|                    | <u>FY 2021-22</u>   |                       | <u>FY 2022-23</u>   |                    |
|--------------------|---------------------|-----------------------|---------------------|--------------------|
|                    | <u>EXPENDITURES</u> | <u>REVENUE</u>        | <u>EXPENDITURES</u> | <u>REVENUE</u>     |
| GENERAL FUNDS      |                     | (\$10,976,550)        |                     | (\$249,150)        |
| CASH FUNDS         | \$37,500            | (\$45,200)            |                     | (\$21,600)         |
| FEDERAL FUNDS      |                     |                       |                     |                    |
| OTHER FUNDS        |                     |                       |                     |                    |
| <b>TOTAL FUNDS</b> | <u>\$37,500</u>     | <u>(\$11,021,750)</u> |                     | <u>(\$270,750)</u> |

Explanation of Estimate:

This legislation changes the occupation tax report period for foreign and domestic corporations from biennial to quinquennial (every five years). Currently, these reports and the related fees are primarily received in January through March of each even-numbered year. In April, non-filing corporations are dissolved. Some corporations choose to reinstate and reinstatements are received throughout the reporting and non-reporting period. 100% of the occupation taxes are deposited into the General Fund, while any other related filing fees would be split 60% General Fund and 40% Cash Fund.

The historic average amount of corporate occupation taxes and related filing fees received is approximately \$11 million in an even-numbered reporting year. Meanwhile, only about \$361,000 in reinstatement filing fees are received during the odd-numbered non-reporting year. Should this legislation be enacted, we anticipate receiving approximately 25% of the normal non-reporting year revenue in each of the four off-years. In other words, if we expected to receive \$361,000 in a normal non-reporting year, we now expect to receive \$90,250 each year for the four non-reporting years. As illustrated in the table below, this is expected to result in significant revenue losses.

|   | <u>FY22</u>            | <u>FY23</u>         |
|---|------------------------|---------------------|
| Projected Domestic Corp Occ Tax Revenue       | \$ 2,059,000           | \$ 77,000           |
| Projected Foreign Corp Occ Tax Revenue        | \$ 8,922,000           | \$ 212,000          |
| Projected Non-Tax Reinstatement Revenue       | \$ 131,000             | \$ 72,000           |
| <b>Projected Total Revenue</b>                | <b>\$ 11,112,000</b>   | <b>\$ 361,000</b>   |
| LB234 Projected Domestic Corp Occ Tax Revenue | \$ 19,250              | \$ 19,250           |
| LB234 Projected Foreign Corp Occ Tax Revenue  | \$ 53,000              | \$ 53,000           |
| LB234 Projected Non-Tax Reinstatement Revenue | \$ 18,000              | \$ 18,000           |
| <b>LB234 Projected Total Revenue</b>          | <b>\$ 90,250</b>       | <b>\$ 90,250</b>    |
| Domestic Corp Occ Tax Revenue Gain (Loss)     | \$ (2,039,750)         | \$ (57,750)         |
| Foreign Corp Occ Tax Revenue Gain (Loss)      | \$ (8,869,000)         | \$ (159,000)        |
| Non-Tax Reinstatement Revenue Gain (Loss)     | \$ (113,000)           | \$ (54,000)         |
| <b>Total Revenue Gain (Loss)</b>              | <b>\$ (11,021,750)</b> | <b>\$ (270,750)</b> |

There would be similar revenue losses anticipated on an ongoing basis beyond FY23. The table below illustrates the expected losses over the course of the next 10 years.

|                         | <u>General Fund</u><br><u>Revenue</u><br><u>Gain(Loss)</u> | <u>Cash Fund</u><br><u>Revenue</u><br><u>Gain(Loss)</u> | <u>Total Revenue</u><br><u>Gain(Loss)</u> |
|-------------------------|--|---|---|
| Fiscal Year 2021-2022   | \$ (10,976,550)  | \$ (45,200)   | \$ (11,021,750)                           |
| Fiscal Year 2022-2023   | \$ (249,150)   | \$ (21,600)   | \$ (270,750)                              |
| Fiscal Year 2023-2024   | \$ (10,976,550)  | \$ (45,200)   | \$ (11,021,750)                           |
| Fiscal Year 2024-2025   | \$ 10,727,400  | \$ 23,600   | \$ 10,751,000                             |
| Fiscal Year 2025-2026   | \$ (10,976,550)  | \$ (45,200)   | \$ (11,021,750)                           |
| Fiscal Year 2026-2027   | \$ (249,150)   | \$ (21,600)   | \$ (270,750)                              |
| Fiscal Year 2027-2028   | \$ (10,976,550)  | \$ (45,200)   | \$ (11,021,750)                           |
| Fiscal Year 2028-2029   | \$ (249,150)   | \$ (21,600)   | \$ (270,750)                              |
| Fiscal Year 2029-2030   | \$ -   | \$ -  | \$ -                                      |
| Fiscal Year 2030-2031   | \$ (249,150)   | \$ (21,600)   | \$ (270,750)                              |
| <b>10 Year Net Loss</b> | <b>\$ (34,175,400)</b>                                     | <b>\$ (243,600)</b>                                     | <b>\$ (34,419,000)</b>                    |

A consideration of the impact on expenses is difficult to estimate for the long term. For the upcoming biennium (FY22 and FY23), our Business Services Filing System vendor estimates one-time development costs of \$37,500 to modify the system to allow for the five year reporting period. Other than those one-time costs, we do not anticipate any significant changes in expenses over the next biennium.

**BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE**

**Personal Services:**

| <u>POSITION TITLE</u>     | <u>NUMBER OF POSITIONS</u> |              | <u>2021-22</u><br><u>EXPENDITURES</u> | <u>2022-23</u><br><u>EXPENDITURES</u> |
|---------------------------|----------------------------|--------------|---------------------------------------|---------------------------------------|
|                           | <u>21-22</u>               | <u>22-23</u> |                                       |                                       |
| Benefits.....             |                            |              |                                       |                                       |
| Operating.....            |                            |              | \$37,500                              |                                       |
| Travel.....               |                            |              |                                       |                                       |
| Capital outlay.....       |                            |              |                                       |                                       |
| Aid.....                  |                            |              |                                       |                                       |
| Capital improvements..... |                            |              |                                       |                                       |
| <b>TOTAL.....</b>         |                            |              | <b>\$37,500</b>                       |                                       |