

PREPARED BY: Sandy Sostad
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 PHONE: 471-0054

LB 340

Revision: 00

FISCAL NOTE
 LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *				
	FY 2007-08		FY 2008-09	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$1,425,000		\$1,031,200	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$1,425,000		\$1,031,000	

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

LB 340 allows a school district or learning community to impose a local income tax upon an affirmative vote of a majority of those voting on the issue. The tax is imposed for tax years beginning on January 1st following the election. The tax terminates pursuant to its terms or upon a vote on the issue to terminate the tax. The tax rate may not exceed 15% of Nebraska income tax liability. Tax proceeds may only be used for bond payments for bonds issued after the effective date of the bill for school district capital construction projects. Income tax receipts are used to calculate lop-off and are considered to be resources for schools in the computation of state aid.

The Department of Revenue is to administer and collect the income tax. The department is to prepare forms for calculating an adequate amount of withholding for persons subject to withholding. All proceeds are to be remitted to a separate fund for each school district or learning community which levies a local income tax. Refunds are to be paid from the fund for the tax year for which the refund is sought. Claims against illegal assessment and collection are to be paid from the fund. If no money is in the fund, then the school district or learning community is responsible.

The Department of Revenue estimates a one-time cost of \$197,000 of general funds to create a separate income tax system which includes withholding. On-going annual operating costs for the system will be \$25,000. Additional staffing and capital outlay expenses to implement the bill are projected to total \$1,203,000 in the initial year of implementation and \$1,006,200 in the second year. The bill appears to allow the tax to be implemented initially in tax year 2008, if an election is held in the fall of 2007, so the fiscal impact is shown beginning in 2007-08.

The bill does not have a fiscal impact for the State Department of Education. It will have a fiscal impact for school districts opting to impose a local income tax. Income tax receipts rather than property taxes will be used to pay off building project bonds. A fiscal impact in terms of increased revenue from local income taxes and decreased property taxes for bond payments cannot be determined because it is dependent upon local decisions.

The inclusion of income tax receipts in the calculation of lop-off and local formula resources will decrease the amount of state aid provided to a school district which levies a local income tax, two years after the income tax is levied. A decrease in state aid may result in an increase in the amount of property taxes levied to pay for general fund operating expenses of the school district levying a local income tax.

DEPARTMENT OF ADMINISTRATIVE SERVICES

REVIEWED BY	Lyn Heaton	DATE	2/1/07	PHONE	471-2526
COMMENTS					
SECRETARY OF STATE – Concur, no fiscal impact.					