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 DATE PREPARED: February 12, 2009  
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**LB 271**

Revision: 00

# FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

<b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *</b>				
	<b>FY 2009-10</b>		<b>FY 2010-11</b>	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$50,000,000		See Below	
CASH FUNDS	\$103,750			
FEDERAL FUNDS				
OTHER FUNDS				
<b>TOTAL FUNDS</b>	<b>\$50,103,750</b>		See Below	

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

LB 271 is the Car Tax Reduction Act. A Car Tax Reduction Cash Fund is established to be funded with \$50 million in 2010. Thereafter the Legislature is to use available excess revenue to fund the act.

The bill requires the Director of the Department of Motor Vehicles (DMV) to estimate the amount of taxes which will be levied on all passenger cars and trucks registered for three tons or less during the following calendar year. The director is to divide the money in the fund each year by the estimate of motor vehicle taxes to be paid. The derived percentage is multiplied by the motor vehicle tax due for each passenger car and truck in the following calendar year. The amount of the credit is shown on the motor vehicle tax statement. County treasurers total the credits monthly and certify the amount to the State Treasurer by the tenth of the ensuing month. The Treasurer reimburses 100% of the credits to the counties from the Car Tax Reduction Fund by the 25<sup>th</sup> of each month. A subfund is created in the fund for each calendar year and the fund is invested. Amounts remaining in the fund from one year may be reappropriated for a later year. Revenue to schools from the fund is considered accountable receipts for purposes of state aid.

The fiscal note assumes \$50 million will be appropriated for calendar year 2010. A portion of the funds will be expended in 2009-10 and another portion in 2010-11. Additional general funds may be appropriated in 2010-11 if excess revenue is available. It is possible the \$50 million appropriation will not be sufficient to fund all credits for 2010, if the estimate by the Director of DMV of the amount of motor vehicle taxes to be levied in the next calendar year is understated.

DMV indicates the bill will require significant modifications to the computer system used by county treasurers to issue vehicle registrations. The department estimates one-time programming expenses of \$103,750 of cash funds to modify the system to calculate the credit, retain the credit information for the reimbursement request and allow for the distribution to the various funds after payment by the State Treasurer. The programming estimate includes expenses for forms, database, reports, computer screens and application logic development in addition to program analysis, testing and training.

The bill has no fiscal impact in terms of the amount of state aid distributed to schools because the revenue from the fund is treated the same as motor vehicle tax receipts. Revenue received by counties, schools and municipalities from motor vehicle taxes will be replaced with a like amount of revenue from the Car Tax Reduction Tax Fund, so the bill will be revenue neutral to these entities.

**DEPARTMENT OF ADMINISTRATIVE SERVICES**

<b>REVIEWED BY</b>	Lyn Heaton	<b>DATE</b> 2/19/09	<b>PHONE</b> 471-2526
<b>COMMENTS</b>			
NEBRASKA DEPARTMENT OF EDUCATION/FINANCE AND ORGANIZATION SERVICES: No fiscal impact. NEBRASKA DEPARTMENT OF MOTOR VEHICLES: The agency analysis appears reasonable.			