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**LB 357**

Revision: 02

# FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

Revised due to adoption of amendment on Select File

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *				
	FY 2012-13		FY 2013-14	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS				

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

LB 357, as amended by AM 2712, amends Nebraska Revised Statutes Sections 77-27,142 and 77-27,142.01.

Current law allow a municipality to impose a local option sales tax at a rate of either one-half percent, one percent, or one and one-half percent; AM 2712 amends Section 77-27,142 to allow a municipality to impose or increase the rate to one and three-quarter percent or two percent.

The question of whether to impose a sales tax rate greater than one and one-half percent or increase to a rate greater than one and one-half percent approval of at least 70% of all the members of the municipality's governing board to place the question on the ballot of either a primary or general election and then subsequent voter approval.

The bill specifies how the revenue raised from any rate greater than one and one-half percent is to be used, as follows:

In a city of the metropolitan class, the first one-quarter percent shall be used to reduce other taxes, the next one-eighth percent is to be used for public infrastructure projects, and the final one-eighth percent is to be used for purposes of the interlocal agreement or joint public agency agreement described in the bill

In a city of the primary class, up to 15% of the proceeds may be used for non-public infrastructure project of an interlocal agreement or joint public agency agreement with another political subdivision within the municipality or the county in which the municipality is located, and the remaining proceeds shall be used for public infrastructure projects or voter-approved infrastructure related to an economic development program.

For any other incorporated municipality, the proceeds are to be used for public infrastructure projects or voter-approved infrastructure related to an economic development program.

AM 2712 also defines public infrastructure project; provides that any sales tax rate greater than one and one-half percent shall terminate no more than 10 years after its effective date, or if the revenue is pledged to the payment of bonds it terminates when the bonds are paid off, unless at least one-eighth is being used for purposes of the interlocal agreement or joint public agency agreement. In that situation, there is no termination date.

Further, AM 2712 provides that no rate greater than one and one-half percent may be imposed or increased unless the municipality is a party to an interlocal or joint public agency agreement with a political subdivision within the municipality or the county creating a separate legal or administrative entity relating to a public infrastructure project. Such agreement is to contain provisions relating to the long-term development of unified governance of public infrastructure projects.

Section 77-27,142.01 is amended to require that in any election regarding the question of raising the sales and use tax, language shall be included describing the percentage increase; the taxes to be reduced or eliminated; description of projects to be funded; year or years in which the revenue will be collected; and percentages of the revenue to be used for the interlocal or joint public agency agreement.

There is no fiscal impact to the General Fund as a result of LB 357 and costs to administer are estimated to be minimal.

IMPACT TO POLITICAL SUBDIVISIONS:

The city of Omaha estimates that LB 357 would provide additional sales tax revenue of \$43,818,508 annually if the city was to implement a local option sales and use tax rate of two percent. However, the additional sales tax will also result in the automatic sunset provisions of the existing restaurant tax, which is budgeted at \$14,779,753 in revenue in 2011. The estimated net increase in revenue to Omaha would be \$29,038,755 – assuming voter approval of the increase.

The city of Lincoln estimates that LB 357 would provide approximately \$19,000,000 in additional revenue, again assuming voter approval, based on current tax revenues of approximately \$57,000,000 from the current 1.5 percent sales tax.

The impact on other localities is indeterminate but it is assumed at least some will implement the new rate.