Revision: 01

## FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

Revised due to error in original fiscal note

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *							
	FY 2012-13 FY 2013-14						
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE			
GENERAL FUNDS		(\$ 5,125,000)		(\$ 297,819)			
CASH FUNDS				(\$ 12,054)			
FEDERAL FUNDS							
OTHER FUNDS							
TOTAL FUNDS		(\$ 5,125,000)		(\$ 309,873)			

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

LB 902 amends Nebraska Revised Statutes dealing with revenue and taxation regarding government property exempt from property taxes and the state and political subdivisions exemption from sales and use taxes.

Section 77-202 is amended to further define that property of the state and its governmental subdivisions includes property held in fee title by the state or its subdivisions and property beneficially owned by the state or its subdivisions in that it is being used for a public purpose and is being acquired under a lease-purchase agreement, financing lease, or other instrument which provides legal transfer of title to the state or a governmental subdivision upon payment of all amounts due under the agreement, lease, or instrument. The bill would exempt such property from property taxes.

The bill amends Section 77-2704.15 to exempt from sales and use taxes all purchases made by a non-profit corporation under a lease –purchase agreement, financing lease, or other similar instrument which provides for transfer of title to the property to the state or a governmental unit upon payment of all amounts due under the agreement, lease, or instrument.

The changes proposed in LB 902 apply retroactively and well as after the effective date of the bill. The bill contains the emergency clause.

The Department of Revenue indicates that there appear to be a number of these projects in the state that are considered subject to the sales tax. They estimate that these projects, looking back only to a three-year statute of limitations for refunds, would amount to a net General Fund sales tax reduction, refunds and smaller collections as follows:

		State Highway
Fiscal	General	Capital Improvement
Year:	Fund:	Fund:
FY2012-13:	(\$ 5,125,000)	\$ 0
FY2013-14:	(\$ 297,819)	(\$ 12,054)
FY2014-15:	(\$ 310,228)	(\$ 12,556)

The Department estimates no cost to implement the provisions of LB 902. There is no basis to disagree with the Department of Revenue's estimate of fiscal impact and cost.

## IMPACT TO POLITICAL SUBDIVISIONS:

We estimate the following fiscal impact to the Highway Allocation Fund:

FY2012-13: \$ 0 FY2013-14: (\$ 2,127) FY2014-15: (\$ 2,216)

DEPARTMENT OF ADMINISTRATIVE SERVICES

		DEFARTMENT OF	ADMINIST	ATTVL SLITVIOLS	
	REVIEWED BY	Lyn Heaton		2/18/12	PHONE 471-2526
COMMENTS					
DEPT. OF REVI	ENUE – No basis upor	which to disagree.			

~	-	~ ~	
	- ID	4 14 1	l' )
	4D	90	L

Total Funds

LB 902				FEB 0 3 2012	Fiscal Note	2012
		State Agency	Estimate LE	- "		
State Agency Name: Department of	Revenue			"SLA	Date Due LFA:	1/18/2012
Approved by: Douglas Ewald		Date Prepared:	2/2/2012	013 2014 FISCAL	Phone: 471-5700	
	FY 2012	2-2013	FY 2	013-2014	FY 201	<u>4-2015</u>
	Expenditures	Revenue	Expenditures	Revenue	<u>Expenditures</u>	<u>Revenue</u>
General Funds		(\$5,125,000)		(\$312,000)		(\$325,000)
Cash Funds						
Federal Funds						
Other Funds						

(\$312,000)

(\$325,000)

LB 902 amends Neb. Rev. Stat. § 77-202 to include "Property of the state and its governmental subdivisions," which is property held in fee title or beneficially owned by the state or a political subdivision that is used for a public purpose and was acquired under a lease-purchase agreement or similar instrument where legal title to the property passes to the state or political subdivision at the conclusion of the lease term or when the terms of the instrument have been satisfied.

(\$5,125,000)

LB 902 also exempts from sales and use tax all purchases by a nonprofit corporation under a lease-purchase agreement or similar instrument where legal title to the property passes to the state or a governmental subdivision upon payment of all amounts due.

LB 902 is applied retroactively and prevents collection of sales, use, and property taxes that could accrue from property acquired under a lease-purchase agreement.

There appear to be a number of projects in the state that are considered subject to the sales tax. It is estimated that these projects, looking only back to a three-year statute of limitations for refunds, would amount to a net General Fund sales tax reduction, refunds and smaller collections, of \$5.125 million in FY2012-13. This is expected to decrease to \$0.312 million and \$0.325 million in FY 2013-14 and FY 2014-15, respectively.

There will be no costs to the Department to implement.

Major Objects of Expenditure							
Class Code	Classification Title	12-13 <u>FTE</u>	13-14 FTE	14-15 FTE	12-13 Expenditures	13-14 <u>Expenditures</u>	14-15 Expenditures
Operating Costs							
Capital Outlay							
Total							