Doug Gibbs March 06, 2012 402-471-0051 **LB 902**

Revision: 03

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

Revised due to additional information

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *					
	FY 2012-13		FY 2013-14		
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE	
GENERAL FUNDS		(\$ 300,000)		(\$ 297,819)	
CASH FUNDS				(\$ 12,054)	
FEDERAL FUNDS					
OTHER FUNDS					
TOTAL FUNDS		(\$ 300,000)		(\$ 309,873)	

^{*}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.

While we do not completely disagree with the Department of Revenue's estimate of fiscal impact, we do believe the tax remittance by these non-profit entities has been inconsistent. However, it is clear that these taxes are at this time due and payable to the state and would be revenue forgone with the passage of LB 902.

We believe the fiscal impact to the state would be approximately as follows:

		State Highway		
Fiscal	General	Capital Improvement		
Year:	Fund:	Fund:		
FY2012-13:	(\$ 300,000)	\$ 0		
FY2013-14:	(\$ 297,819)	(\$ 12,054)		
FY2014-15:	(\$ 310,228)	(\$ 12,556)		

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)

LB 902

General Funds

Cash Funds Federal Funds Other Funds

Total Funds

State Agency Name: Department of Revenue

Approved by: Douglas Ewald

		FEB O 3 20	Fiscal Note	2012	
State Agency	Estimate LEO	2012			
	4	SLATA	Date Due LFA:	1/18/2012	
Date Prepared:	2/2/2012	13-2014 FISO.	Phone: 471-5700		
3	FY 2013-2014		FY 2014-2015		
<u>evenue</u>	Expenditures	Revenue	<u>Expenditures</u>	Revenue	
55,125,000)		(\$312,000)	I	(\$325,000)	

(\$325,000)

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(\$312,000)

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.

Revenue

(\$5,125,000)

(\$5,125,000)

FY 2012-2013

Expenditures

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.

	Maj	or Objects of E	Expendit	ure			
Class Code	Classification Title	12-13 FTE	13-14 FTE	14-15 <u>FTE</u>	12-13 Expenditures	13-14 Expenditures	14-15 Expenditures
Renefits							
Capital Improvements							
fotal							