

LEGISLATURE OF NEBRASKA
ONE HUNDRED THIRD LEGISLATURE
SECOND SESSION
LEGISLATIVE BILL 989

Final Reading

Introduced by Schumacher, 22; Mello, 5.

Read first time January 21, 2014

Committee: Executive Board

A BILL

1 FOR AN ACT relating to revenue and taxation; to amend section 77-383,
2 Reissue Revised Statutes of Nebraska, and sections
3 77-382, 77-385, and 81-125, Revised Statutes Supplement,
4 2013; to change requirements for the tax expenditure
5 report and require a report relating to sales taxes under
6 the Tax Expenditure Reporting Act; to harmonize
7 provisions; and to repeal the original sections.
8 Be it enacted by the people of the State of Nebraska,

1 Section 1. Section 77-382, Revised Statutes Supplement,
2 2013, is amended to read:

3 77-382 (1) The department shall prepare a tax expenditure
4 report describing (a) the basic provisions of the Nebraska tax laws,
5 (b) the actual or estimated revenue loss caused by the exemptions,
6 deductions, exclusions, deferrals, credits, and preferential rates in
7 effect on July 1 of each year and allowed under Nebraska's tax
8 structure and in the property tax, (c) the actual or estimated
9 revenue loss caused by failure to impose sales and use tax on
10 services purchased for nonbusiness use, and ~~(e)~~-(d) the elements
11 which make up the tax base for state and local income, including
12 income, sales and use, property, and miscellaneous taxes.

13 (2) The department shall review the major tax exemptions
14 for which state general funds are used to reduce the impact of
15 revenue lost due to a tax expenditure. The report shall indicate an
16 estimate of the amount of the reduction in revenue resulting from the
17 operation of all tax expenditures. The report shall list each tax
18 expenditure relating to sales and use tax under the following
19 categories:

20 (a) Agriculture, which shall include a separate listing
21 for the following items: Agricultural machinery; agricultural
22 chemicals; seeds sold to commercial producers; water for irrigation
23 and manufacturing; commercial artificial insemination; mineral oil as
24 dust suppressant; animal grooming; oxygen for use in aquaculture;
25 animal life whose products constitute food for human consumption; and

1 grains;

2 (b) Business across state lines, which shall include a
3 separate listing for the following items: Property shipped out-of-
4 state; fabrication labor for items to be shipped out-of-state;
5 property to be transported out-of-state; property purchased in other
6 states to be used in Nebraska; aircraft delivery to an out-of-state
7 resident or business; state reciprocal agreements for industrial
8 machinery; and property taxed in another state;

9 (c) Common carrier and logistics, which shall include a
10 separate listing for the following items: Railroad rolling stock and
11 repair parts and services; common or contract carriers and repair
12 parts and services; common or contract carrier accessories; and
13 common or contract carrier safety equipment;

14 (d) Consumer goods, which shall include a separate
15 listing for the following items: Motor vehicles and motorboat trade-
16 ins; merchandise trade-ins; certain medical equipment and medicine;
17 newspapers; laundromats; telefloral deliveries; motor vehicle
18 discounts for the disabled; and political campaign fundraisers;

19 (e) Energy, which shall include a separate listing for
20 the following items: Motor fuels; energy used in industry; energy
21 used in agriculture; aviation fuel; and minerals, oil, and gas
22 severed from real property;

23 (f) Food, which shall include a separate listing for the
24 following items: Food for home consumption; Supplemental Nutrition
25 Assistance Program; school lunches; meals sold by hospitals; meals

1 sold by institutions at a flat rate; food for the elderly,
2 handicapped, and Supplemental Security Income recipients; and meals
3 sold by churches;

4 (g) General business, which shall include a separate
5 listing for the following items: Component and ingredient parts;
6 manufacturing machinery; containers; film rentals; molds and dies;
7 syndicated programming; intercompany sales; intercompany leases; sale
8 of a business or farm machinery; and transfer of property in a change
9 of business ownership;

10 (h) Lodging and shelter, which shall include a separate
11 listing for the following item: Room rentals by certain institutions;

12 (i) Miscellaneous, which shall include a separate listing
13 for the following items: Cash discounts and coupons; separately
14 stated finance charges; casual sales; lease-to-purchase agreements;
15 and separately stated taxes;

16 (j) Nonprofits, governments, and exempt entities, which
17 shall include a separate listing for the following items: Purchases
18 by political subdivisions of the state; purchases by churches and
19 nonprofit colleges and medical facilities; purchasing agents for
20 public real estate construction improvements; contractor as
21 purchasing agent for public agencies; Nebraska lottery; admissions to
22 school events; sales on Native American Indian reservations; school-
23 supporting fundraisers; fine art purchases by a museum; purchases by
24 the Nebraska State Fair Board; purchases by the Nebraska Investment
25 Finance Authority and licensees of the State Racing Commission;

1 purchases by the United States Government; public records; and sales
2 by religious organizations;

3 (k) Recent sales tax expenditures, which shall include a
4 separate listing for each sales tax expenditure created by statute or
5 rule and regulation after July 19, 2012; and

6 (l) Services purchased for nonbusiness use, which shall
7 include a separate listing for each such service, including, but not
8 limited to, the following items: Motor vehicle cleaning, maintenance,
9 and repair services; cleaning and repair of clothing; cleaning,
10 maintenance, and repair of other tangible personal property;
11 maintenance, painting, and repair of real property; entertainment
12 admissions; personal care services; lawn care, gardening, and
13 landscaping services; pet-related services; storage and moving
14 services; household utilities; other personal services; taxi,
15 limousine, and other transportation services; legal services;
16 accounting services; other professional services; and other real
17 estate services; and

18 ~~(l)~~—(m) Telecommunications, which shall include a
19 separate listing for the following items: Telecommunications access
20 charges; prepaid calling arrangements; conference bridging services;
21 and nonvoice data services.

22 (3) It is the intent of the Legislature that nothing in
23 the Tax Expenditure Reporting Act shall cause the valuation or
24 assessment of any property exempt from taxation on the basis of its
25 use exclusively for religious, educational, or charitable purposes.

1 Sec. 2. Section 77-383, Reissue Revised Statutes of
2 Nebraska, is amended to read:

3 77-383 The department may request from any state or local
4 official or agency any information necessary to complete the ~~report~~
5 reports required under section 77-382 and subsection (2) of section
6 77-385. All state and local officials or agencies shall cooperate
7 with the department with respect to any such request.

8 Sec. 3. Section 77-385, Revised Statutes Supplement,
9 2013, is amended to read:

10 77-385 (1) The report required under section 77-382 and a
11 summary of the report shall be submitted to the Governor, the
12 Executive Board of the Legislative Council, and the chairpersons of
13 the Legislature's Revenue and Appropriations Committees on or before
14 October 15, 1991, and October 15 of every even-numbered year
15 thereafter. The report submitted to the executive board and the
16 committees shall be submitted electronically. The department shall,
17 on or before December 1 of each even-numbered year, appear at a joint
18 hearing of the Appropriations Committee of the Legislature and the
19 Revenue Committee of the Legislature and present the report. Any
20 supplemental information requested by three or more committee members
21 shall be presented within thirty days after the request. The summary
22 shall be included with or appended to the Governor's budget presented
23 to the Legislature in odd-numbered years.

24 (2)(a) In addition to the tax expenditure report required
25 under section 77-382, the department shall prepare an annual report

1 that focuses specifically on the tax expenditures relating to sales
2 and use tax as follows:

3 (i) For 2014 and every fourth year thereafter, the report
4 shall analyze the actual or estimated revenue loss caused by the tax
5 expenditures described in subdivisions (2)(a) through (c) of section
6 77-382;

7 (ii) For 2015 and every fourth year thereafter, the
8 report shall analyze the actual or estimated revenue loss caused by
9 the tax expenditures described in subdivisions (2)(d) through (f) of
10 section 77-382;

11 (iii) For 2016 and every fourth year thereafter, the
12 report shall analyze the actual or estimated revenue loss caused by
13 the tax expenditures described in subdivisions (2)(g) through (j) of
14 section 77-382; and

15 (iv) For 2017 and every fourth year thereafter, the
16 report shall analyze the actual or estimated revenue loss caused by
17 the tax expenditures described in subdivisions (2)(k) through (m) of
18 section 77-382.

19 (b) The report required under this subsection shall be
20 submitted to the Governor, the Executive Board of the Legislative
21 Council, and the chairpersons of the Revenue Committee of the
22 Legislature and the Appropriations Committee of the Legislature on or
23 before October 15 of each year. The report submitted to the executive
24 board and the committees shall be submitted electronically. The
25 department shall, on or before December 1 of each year, appear at a

1 joint hearing of the Appropriations Committee of the Legislature and
2 the Revenue Committee of the Legislature and present the report. Any
3 supplemental information requested by three or more committee members
4 shall be presented within thirty days after the request.

5 Sec. 4. Section 81-125, Revised Statutes Supplement,
6 2013, is amended to read:

7 81-125 The Governor shall on or before January 15 of each
8 odd-numbered year present to the Legislature a complete budget for
9 all the activities of the state receiving appropriations or
10 requesting appropriations, except that the Governor during his or her
11 first year in office shall present such budget to the Legislature on
12 or before February 1. Such budget shall be a tentative work program
13 for the coming biennium, shall contain a full and itemized report of
14 the expenditures from appropriations made by the previous Legislature
15 and the items which the Governor deems worthy of consideration for
16 the coming biennium, for the respective departments, offices, and
17 institutions, and for all other purposes, and shall contain the
18 estimated revenue from taxation, the estimated revenue from sources
19 other than taxation, an estimate of the amount required to be raised
20 by taxation and the sales and income tax rates necessary to raise
21 such amount, the revenue foregone by operation of laws in effect at
22 the time of such report granting tax expenditures and reduced tax
23 liabilities as identified in the report required by section 77-5731,
24 and recommendations as to deficiency funding requirements pursuant to
25 section 81-126. The summary of the tax expenditure report prepared

1 pursuant to the ~~Tax Expenditure Reporting Act~~ subsection (1) of
2 section 77-385 and a summary of the report required by section
3 77-5731 shall be included with or appended to the budget presented to
4 the Legislature. The Governor may make recommendations whether to
5 continue or eliminate, in whole or in part, each tax expenditure and
6 incentive program or to limit the duration of particular tax
7 expenditures and incentives to a fixed number of years and shall
8 include his or her reasoning for each recommendation, if any. The
9 recommendations shall be transmitted to the Revenue Committee of the
10 Legislature at the same time the Governor submits a budget as
11 required in this section. The budget as transmitted to the
12 Legislature shall show the estimated requirements for each activity
13 of the state as prepared by the Department of Administrative Services
14 and the final recommendation of the Governor. The budget shall
15 comprise the complete report to the Legislature of all appropriations
16 made for the current biennium and expenditures therefrom by all
17 agencies receiving appropriations, and the report of expenditures
18 contained in the budget shall be in lieu of all other biennial or
19 other financial reports required by statute to the Legislature by
20 expending agencies of appropriations and expenditures for their own
21 activities except the biennial report of the State Treasurer and
22 Director of Administrative Services.

23 Sec. 5. Original section 77-383, Reissue Revised Statutes
24 of Nebraska, and sections 77-382, 77-385, and 81-125, Revised
25 Statutes Supplement, 2013, are repealed.