

**FISCAL NOTE**  
**LEGISLATIVE FISCAL ANALYST ESTIMATE**

| <b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES</b> (See narrative for political subdivision estimates) |                   |                   |                   |                   |
|---|-------------------|-------------------|-------------------|-------------------|
|   | <b>FY 2015-16</b> |                   | <b>FY 2016-17</b> |                   |
|   | EXPENDITURES      | REVENUE           | EXPENDITURES      | REVENUE           |
| GENERAL FUNDS   | \$128,956         | (\$44,500)        | \$124,445         | (\$93,600)        |
| CASH FUNDS  |                   |                   |                   |                   |
| FEDERAL FUNDS   |                   |                   |                   |                   |
| OTHER FUNDS   |                   |                   |                   |                   |
| <b>TOTAL FUNDS</b>  | <b>\$128,956</b>  | <b>(\$44,500)</b> | <b>\$124,445</b>  | <b>(\$93,600)</b> |

**Any Fiscal Notes received from state agencies and political subdivisions are attached following the Legislative Fiscal Analyst Estimate.**

LB 204 amends the Nebraska Liquor Control Act.

The bill would create a nonrefundable credit against the excise tax imposed by Section 53-160 for any manufacturer of beer if the manufacturer used a percentage of beer-related crops that were grown in Nebraska in the production of their beer.

“Beer-related crops” are defined as meaning barley, hops, or any other grain customarily used in the manufacture of beer.

**NOTE:** Corn and other grains such as rice, rye, oats, and wheat are sometimes used in the brewing process to supplement another ingredient or to obtain a specific flavor or quality.

The credit is determined by multiplying the total amount of tax paid in the previous calendar year on the first 20,000 barrels of beer sold by the manufacturer by a percentage.

The percentage to be used in the calculation is determined by the percentage of beer-related crops grown in Nebraska used by the manufacturer in the previous calendar year, as follows:

- >If percentage of beer-related crops used were at least 10% but less than 40%, percentage to be used is 15%;
- >If percentage of beer-related crops used were at least 40% but less than 70%, percentage to be used is 25%;
- >If percentage of beer-related crops used were at least 70%, percentage to be used is 35%.

For example: The tax paid on 20,000 barrels would be approximately \$192,200. If the manufacturer used over 70% of beer-related crops from Nebraska in the production of their beer, the credit would be \$67,270. (\$192,200 x 35%).

To obtain the credit the manufacturer shall apply to the Liquor Control Commission on a form prescribed by the Commission by January 25 of each year. If the manufacturer qualifies for the credit, they may claim the credit on the reports due each month to the Commission as an offset of taxes due until the credit is fully utilized or until December 31 of that year, whichever occurs first.

The Liquor Control Commission estimates the fiscal impact of LB 204 to the General Fund as follows:

FY2015-16: (\$88,229)  
 FY2016-17: (\$88,229)

The Commission estimates expenditures of \$128,956 for FY2015-16 and \$122,956 for FY2016-17, for 1.0 FTE Auditor and 1.0 FTE Accountant, plus operating expenses. PSL would be \$66,212 for each year of the biennium.

We disagree slightly with the Commission’s estimate of cost. We estimate an expenditure of \$128,956 for FY2015-16, with PSL of \$66,212. For FY2016-17, we estimate an expenditure of \$124,445, with PSL of \$67,701.

The Department of Revenue estimates the fiscal impact of LB 204 to the General Fund as follows:

FY2015-16: (\$ 90,000)  
 FY2016-17: (\$ 99,000)  
 FY2017-18: (\$ 110,000)  
 FY2018-19: (\$ 122,000)

Both the Liquor Control Commission's and the Department of Revenue's estimate of fiscal impact appear to be based on the tax credit that would be available to beer manufacturer's located in Nebraska. We should note that the bill does not limit the credit to beer manufacturers located in Nebraska and the potential fiscal impact could increase substantially if the credit is utilized by manufacturers located in other states.

We disagree slightly with both the Commission's and the Department's estimate of fiscal impact, in that we believe the entirety of the revenue loss from the credit will not be felt until FY16-17. Assuming the effective date of LB 204 to be sometime in early September, a beer manufacturer will not be able to apply for the credit until January 2016 and, in most cases, not be able to fully utilize the credit during the 2015-16 fiscal year given that the bill provides for the credit to be used in installments on the monthly reports the manufacturers are required to file.

| ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES  |     |  |                 |
|---|-----|--|-----------------|
| LB: 204   | AM: | AGENCY/POLT. SUB: Liquor Control Comm. |                 |
| REVIEWED BY: Lyn Heaton   |     | DATE: 1/30/2015                        | PHONE: 471-4181 |
| COMMENTS: The provisions of the bill do not appear to support the Commission's estimate that the bill itself would require the addition of 2.0 FTE to properly administer the tax credit. |     |  |                 |



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**2015**

**LB<sup>(1)</sup> 204**

**FISCAL NOTE**

State Agency OR Political Subdivision Name: <sup>(2)</sup>

NEBRASKA LIQUOR CONTROL COMMISSION

Prepared by: <sup>(3)</sup>

JERRY VAN ACKEREN

Date Prepared: <sup>(4)</sup>

1/29/2015

Phone: <sup>(5)</sup>

1-4892

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

|                    | <u>FY 2015-16</u>       |                                | <u>FY 2016-17</u>       |                                |
|--------------------|-------------------------|--------------------------------|-------------------------|--------------------------------|
|                    | <u>EXPENDITURES</u>     | <u>REVENUE</u>                 | <u>EXPENDITURES</u>     | <u>REVENUE</u>                 |
| GENERAL FUNDS      | <u>\$122,956</u>        | <u>&lt;\$88,229&gt;</u>        | <u>\$122,956</u>        | <u>&lt;\$88,229&gt;</u>        |
| CASH FUNDS         |                         |                                |                         |                                |
| FEDERAL FUNDS      |                         |                                |                         |                                |
| OTHER FUNDS        |                         |                                |                         |                                |
| <b>TOTAL FUNDS</b> | <u><b>\$122,956</b></u> | <u><b>&lt;\$88,229&gt;</b></u> | <u><b>\$122,956</b></u> | <u><b>&lt;\$88,229&gt;</b></u> |

Explanation of Estimate:

See attachment for explanation

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

| <u>POSITION TITLE</u>     | <u>NUMBER OF POSITIONS</u> |              | <u>2015-16</u>        | <u>2016-17</u>        |
|---------------------------|----------------------------|--------------|-----------------------|-----------------------|
|                           | <u>15-16</u>               | <u>16-17</u> | <u>EXPENDITURES</u>   | <u>EXPENDITURES</u>   |
| <b>Auditor</b>            | <u>1</u>                   | <u>1</u>     | <u>38,212</u>         | <u>38,212</u>         |
| <b>Accountant</b>         | <u>1</u>                   | <u>1</u>     | <u>28,000</u>         | <u>28,000</u>         |
| Benefits.....             |                            |              | <u>47,244</u>         | <u>47,244</u>         |
| Operating.....            |                            |              |                       |                       |
| Travel.....               |                            |              | <u>8,000</u>          | <u>8,000</u>          |
| Capital outlay.....       |                            |              | <u>7,500</u>          | <u>1,500</u>          |
| Aid.....                  |                            |              |                       |                       |
| Capital improvements..... |                            |              |                       |                       |
| <b>TOTAL.....</b>         |                            |              | <u><b>128,956</b></u> | <u><b>122,956</b></u> |

**Expenditure: Conduct field audits, process & verify state excise tax returns.**

Estimate of Financial Impact:

2014 Total Brewpub Taxable Production  
25,292 barrels (31 gallons to a barrel)  
Or  
784,052 Taxable gallons  
Tax Rate .31 cents  
\$243,056 State Excise Tax Paid  
Discount .01  
\$2,430.56  
Net Tax Paid \$240,625.00

Number of Brewpub or manufacturer licenses in calendar year 2014 equals 33

Under the provision of LB-204

Scenario One: Assuming all brewpub or manufacturer licensees fit into the 10% to 40% range:  
\$240,625 previous year taxes paid  
15% tax reduction  
\$36,094 Tax Credits

Scenario Two: Assuming all brewpub or manufacturer licensees fit into the 40% to 70% range:  
\$240,625 previous year taxes paid  
25% tax reduction  
\$60,156 Tax Credits

Scenario Three: Assuming all brewpub or manufacturer licensees fit into the 70% range:  
\$240,625 previous year taxes paid  
70% tax reduction  
\$168,438 tax Credits

The above estimates assume each brewpub licensee will remain under the 20,000 barrel max in any given year.  
Assumes the number of manufacturers will remain constant.

Estimate Average when looking at all scenarios:

Scenario One: \$36,094 Tax Credit  
Scenario Two: \$60,156 Tax Credit  
Scenario Three: \$168,438 Tax Credit  
Total Credits \$264,688

Then: \$264,688 Tax Credits divided by 3 scenario projections equals estimated impact of \$88,229 per year.