PREPARED BY: DATE PREPARED: PHONE: Douglas Gibbs January 30, 2018 402-471-0051

**LB 745** 

Revision: 00

## **FISCAL NOTE**

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT - STATE AGENCIES (See narrative for political subdivision estimates)						
	FY 201	8-19	FY 2019-20			
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE		
GENERAL FUNDS		(\$1,070,000)		(\$79,000)		
CASH FUNDS						
FEDERAL FUNDS						
OTHER FUNDS						
TOTAL FUNDS		(\$1,070,000)		(\$79,000)		

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

LB 745 amends the Nebraska Revenue Act of 1967 Section 77-2708 regarding sales and use taxes.

The bill inserts new language that requires the Department of Revenue to notify any affected municipality or municipal county of any refund claim of local option sales and use taxes that amounts to at least \$5,000 within 20 days of such a claim. If the claim is allowed the affected municipality or county shall be notified and given the option of having the refund deducted from the applicable tax proceeds in a lump sum or in 12 equal monthly installments.

LB 745 does not apply to refunds under the incentive acts.

The Department of Revenue indicates that because the refunds would still be issued to the taxpayer, but recovery by the state would be spread out over 12 months, LB 745 would cause an immediate reduction to the General Fund in the first year of operation, with smaller impacts in later years. The estimated impact to the General Fund, assuming all city, village, county, or municipal counties elect to take the option of 12 equal monthly installments is as follows:

FY2018-19: (\$ 1,070,000) FY2019-20: (\$ 79,000) FY2020-21: (\$ 83,000)

The Department of Revenue indicates a minimal cost to implement the provisions of LB 745.

We have no basis to disagree with the Department of Revenue's estimate of fiscal impact and cost.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE					
LB: 745 AM: AGENCY/POLT. SUB: Dept. of Revenue					
REVIEWED	BY: Lyn Heaton	DATE: 1/31/2018	PHONE: (402) 471-4181		
COMMENTS: No basis upon which to disagree with the Department of Revenue's analysis.					

State Agency Estimate							
State Agency Name: Department	t of Revenue				Date Due LFA:	1/31/2018	
Approved by: Tony Fulton		Date Prepared:	1/30/2018		Phone: 471-5896		
	FY 2018	FY 2018-2019		FY 2019-2020		FY 2020-2021	
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue	
General Funds		(\$1,070,000)	1	(\$79,000)		(\$83,000)	
Cash Funds					· .		
Federal Funds							
Other Funds							
Total Funds		(\$1,070,000)		(\$79,000)		(\$83,000)	

LB 745 provides that the Tax Commissioner shall provide notice within 20 days to the affected city, village, county, or municipal county when a claim is made under § 77-2708 that involves a refund of a local option sales tax, county sales tax, or municipal county sales tax. If the Tax Commissioner approves the claim and the refund is at least \$5,000, the Tax Commissioner shall notify the affected city, village, county, or municipal county. If the refund is at least \$5,000, the city, village, county, or municipal county shall have the option of having the refund deducted from its sales tax proceeds in one lump sum or in 12 equal monthly installments. The city, village, county, or municipal county shall certify its choice within 20 days after receiving notice of the refund.

This bill would not apply to refunds claimed as part of incentive programs because these refunds are specifically governed by § 77-27,144(2).

Because the refunds would still be issued to the taxpayer, but recovery by the state would be spread out over twelve months, LB 745 would cause an immediate reduction to the General Fund up front, with smaller impacts in later years. The estimated total reduction to the General Fund would be as follows, assuming all city, village, county, or municipal counties take the option to deduct in 12 equal monthly installments:

FY 2018-2019	\$ 1,070,000
FY 2019-2020	\$ 79,000
FY 2020-2021	\$ 83,000

It is estimated that there will be minimal costs to the Department to implement this bill.

Major Objects of Expenditure							
Class Code	Classification Title	18-19 <u>FTE</u>	19-20 <u>FTE</u>	20-21 <u>FTE</u>	18-19 Expenditures	19-20 Expenditures	20-21 Expenditures
	Operating Costs						
Travel							
Capital Outlay							
Capital Improvements.							
Total							