PREPARED BY: DATE PREPARED: PHONE: John Wiemer January 30, 2024 402-471-0051

**LB 1345** 

Revision: 00

## **FISCAL NOTE**

## **LEGISLATIVE FISCAL ANALYST ESTIMATE**

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)										
FY 2024-25 FY 2025-26										
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE						
GENERAL FUNDS		\$51,327,000		\$58,713,000						
CASH FUNDS		\$1,889,000		\$2,376,000						
FEDERAL FUNDS										
OTHER FUNDS										
TOTAL FUNDS		\$53,216,000		\$61,089,000						

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

LB 1345 would make changes so that sales and use taxes are imposed on the gross income received for legal services performed in the furtherance of a business enterprise under the definition of gross receipts.

This bill would become operative on July 1, 2024 and contains the emergency clause.

The Department of Revenue (DOR) estimates the following increase to General Fund revenues as a result of this bill:

	General Fund Revenues	Highway Allocation Fund (Cities and Counties)	tion Fund Highway ies and Trust Fund	
FY2024-25	\$ 51,327,000	\$ 333,000	\$ 1,889,000	\$ 13,332,000
FY2025-26	\$ 58,713,000	\$ 419,000	\$ 2,376,000	\$ 16,775,000
FY2026-27	\$ 62,553,000	\$ 447,000	\$ 2,532,000	\$ 17,872,000

There is estimated to be a revenue increase to the Highway Trust Fund and the Highway Allocation Fund, which is distributed to cities and counties. The DOR also estimates increases in tax revenue to local governments based upon a 1.5% sales and use tax rate.

The DOR estimates no costs to it to implement the bill.

There is no basis to disagree with these estimates.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE							
LB: 1345	AM:	AGENCY/POLT. SUB: Departm	nent of Revenue				
REVIEWED B	Y: Neil Sullivan	DATE: 1/30/2024	PHONE: (402) 471-4179				
COMMENTS: The Department of Revenue assessment of fiscal impact from LB 1345 appears reasonable.							

## LB 1345 Fiscal Note 2024

State Agency Estimate								
State Agency Name: Department of Revenue Date Due LFO:								
	01/29/2024 Phone: 471-5896							
FY 2024	1-202 <u>5</u>	FY 2025-2026		FY 2026-2027				
Expenditures	Revenue	<b>Expenditures</b>	Revenue	Expenditures	Revenue			
	\$51,327,000		\$58,713,000		\$62,553,000			
	\$1,889,000		\$2,376,000		\$2,532,000			
	\$13,665,000		\$17,194,000		\$18,319,000			
	\$66,881,000		\$78,283,000		\$83,404,000			
	FY 2024	Revenue    Date Prepared:	Date Prepared: 01/29/2024   FY 2024-2025   FY 202:	Date Prepared: 01/29/2024	Revenue         Date Due LFO:           Date Prepared: 01/29/2024 Phone: 471-5896           FY 2024-2025         FY 2025-2026         FY 2025           Expenditures         Revenue         Expenditures         Expenditures           \$51,327,000         \$58,713,000         \$2,376,000           \$1,889,000         \$2,376,000         \$17,194,000			

LB 1345 imposes sales tax on the gross receipts from the provision of legal services performed in the furtherance of the business enterprise.

The estimated fiscal impact to the General Fund revenues would be as follows:

			Highway		
	General Fund	A	llocation Fund	Highway	Local Sales
	Revenues	(Cities and		Trust Fund	Tax (1.5%)
			Counties)		
FY2024-25	\$ 51,327,000	\$	333,000	\$ 1,889,000	\$ 13,332,000
FY2025-26	\$ 58,713,000	\$	419,000	\$ 2,376,000	\$ 16,775,000
FY2026-27	\$ 62,553,000	\$	447,000	\$ 2,532,000	\$ 17,872,000

It is estimated that there will be no cost to the Department of Revenue to implement LB 1345.

Major Objects of Expenditure									
Class Code	Classification Title	24-25 <u>FTE</u>	25-26 <u>FTE</u>	26-27 <u>FTE</u>	24-25 Expenditures	25-26 Expenditures	26-27 Expenditures		
Operating Costs	Benefits								
Travel									
1 0ta1		•••••	• • • • • • • • • • • • • • • • • • • •	••••••					

Revenue to Build Nebraska Act Funds	Please complete <u>ALL</u> (5) blanks in the first three lines.									2024	
Prepared by: (3) Jenessa Boynton Date Prepared: (4) 01/26/2024 Phone: (5) 402-479-4691  ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION  FY 2024-25 FY 2025-26 EXPENDITURES REVENUE EXPENDITURES REVENUE  GENERAL FUNDS  CASH FUNDS \$1,889,000 \$2,376,000  FEDERAL FUNDS \$333,000 \$419,000  TOTAL FUNDS \$32,222,000 \$2,795,000  Explanation of Estimate:  B 1345 proposes to impose sales and use taxes on the gross income received for legal services performed in the furtherance of a business enterprise.  Revenue to Build Nebraska Act Funds  FY2024-25 FY2025-26 FY2026-27  Highway Trust Fund \$1,889,000 \$2,376,000 \$2,532,000	<b>LB</b> (1)	1345							F	FISCAL	NOTE
### ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION    FY 2024-25	State Agency OR Political Subdivision Name: (2) Nebraska Department of Transportation (NDOT)										
FY 2024-25         EXPENDITURES         REVENUE         EXPENDITURES         REVENUE           GENERAL FUNDS         \$1,889,000         \$2,376,000           FEDERAL FUNDS         \$333,000         \$419,000           TOTAL FUNDS         \$2,222,000         \$2,795,000           Explanation of Estimate:           B 1345 proposes to impose sales and use taxes on the gross income received for legal services performed in the furtherance of a business enterprise.           Revenue to Build Nebraska Act Funds           FY2024-25         FY2025-26         FY2026-27           Highway Trust Fund         \$1,889,000         \$2,376,000         \$2,532,000	Prepared	l by: (3)	Jeness	sa Boynton	Date Prepa	ared: <sup>(4)</sup>	01/26/202	24 Pho	ne: <sup>(5)</sup>	402-479-	4691
EXPENDITURES         REVENUE         EXPENDITURES         REVENUE           GENERAL FUNDS         \$1,889,000         \$2,376,000           FEDERAL FUNDS         \$333,000         \$419,000           TOTAL FUNDS         \$2,222,000         \$2,795,000           Explanation of Estimate:         Explanation of Estimate:           B 1345 proposes to impose sales and use taxes on the gross income received for legal services performed in the furtherance of a business enterprise.           Revenue to Build Nebraska Act Funds         FY2024-25 FY2025-26 FY2026-27           Highway Trust Fund         \$1,889,000 \$2,376,000 \$2,532,000			ES	STIMATE PROVID	ED BY STAT	E AGEN	CY OR PO	LITICAL SUB	DIVISI	ON	
CASH FUNDS         \$1,889,000         \$2,376,000           FEDERAL FUNDS         \$333,000         \$419,000           TOTAL FUNDS         \$2,222,000         \$2,795,000           Explanation of Estimate:           B 1345 proposes to impose sales and use taxes on the gross income received for legal services performed in the furtherance of a business enterprise.           Revenue to Build Nebraska Act Funds           FY2024-25 FY2025-26 FY2026-27           Highway Trust Fund         \$1,889,000 \$2,376,000 \$2,532,000						<u>ENUE</u>	EX				<u>NUE</u>
FEDERAL FUNDS \$333,000 \$419,000  TOTAL FUNDS \$2,222,000 \$2,795,000  Explanation of Estimate:  B 1345 proposes to impose sales and use taxes on the gross income received for legal services performed in the furtherance of a business enterprise.  Revenue to Build Nebraska Act Funds FY2024-25 FY2025-26 FY2026-27 Highway Trust Fund \$1,889,000 \$2,376,000 \$2,532,000	GENERA	AL FUND	os								
OTHER FUNDS         \$333,000         \$419,000           TOTAL FUNDS         \$2,222,000         \$2,795,000           Explanation of Estimate:           B 1345 proposes to impose sales and use taxes on the gross income received for legal services performed in the furtherance of a business enterprise.           Revenue to Build Nebraska Act Funds           FY2024-25         FY2025-26         FY2026-27           Highway Trust Fund         \$1,889,000         \$2,376,000         \$2,532,000	CASH FU	UNDS			\$1,889,000				\$2,37	6,000	
TOTAL FUNDS \$2,222,000 \$2,795,000  Explanation of Estimate:  B 1345 proposes to impose sales and use taxes on the gross income received for legal services performed in the furtherance of a business enterprise.  Revenue to Build Nebraska Act Funds FY2024-25 FY2025-26 FY2026-27 Highway Trust Fund \$1,889,000 \$2,376,000 \$2,532,000	FEDERA	L FUND	S				_				
Explanation of Estimate:  B 1345 proposes to impose sales and use taxes on the gross income received for legal services performed in the furtherance of a business enterprise.  Revenue to Build Nebraska Act Funds FY2024-25 FY2025-26 FY2026-27 Highway Trust Fund \$1,889,000 \$2,376,000 \$2,532,000	OTHER	FUNDS			\$333,000					\$419	9,000
B 1345 proposes to impose sales and use taxes on the gross income received for legal services performed in the furtherance of a business enterprise.  Revenue to Build Nebraska Act Funds FY2024-25 FY2025-26 FY2026-27 Highway Trust Fund \$1,889,000 \$2,376,000 \$2,532,000	TOTAL	FUNDS			\$2,22	22,000				\$2,79	5,000
B 1345 proposes to impose sales and use taxes on the gross income received for legal services performed in the furtherance of a business enterprise.  Revenue to Build Nebraska Act Funds FY2024-25 FY2025-26 FY2026-27 Highway Trust Fund \$1,889,000 \$2,376,000 \$2,532,000	Explanatio	on of Esti	mate:								
FY2024-25         FY2025-26         FY2026-27           Highway Trust Fund         \$1,889,000         \$2,376,000         \$2,532,000	LB 1345 proposes to impose sales and use taxes on the gross income received for legal services performed in the furtherance of a business enterprise.										
Highway Trust Fund \$1,889,000 \$2,376,000 \$2,532,000		Revenue to Build Nebraska Act Funds									
									_		
Highway Allocation Fund (cities and counties)   \$333.000   \$419.000   \$447.000			_				-		_		
J , (		Highwa	ay Allo	cation Fund (cities	s and countie	s)   \$	333,000	\$419,000	9	§447,000	

This estimate of increased tax revenue is from the Nebraska Department of Revenue. The increase in the sales tax base will result in more available funding to the Highway Trust Fund for NDOT and the Highway Allocation Fund for cities and counties.

BREAKDO	OWN BY MAJO	OR OBJECTS OF	EXPENDITURE	
Personal Services:				
	NUMBER OF	POSITIONS	2024-25	2025-26
POSITION TITLE	<u>24-25</u>	<u>25-26</u>	<b>EXPENDITURES</b>	<b>EXPENDITURES</b>
Benefits				
Operating				
Travel				
Capital outlay				
Aid				
Capital improvements	•••			
TOTAL				