

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

Updated for the 2026 Legislative Session

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)

EXPENDITURES	GENERAL	CASH	FEDERAL	REVOLVING	TOTAL
FY2025-2026	0	0	0	0	0
FY2026-2027	285,600	0	0	0	285,600
FY2027-2028	268,500	0	0	0	268,500
FY2028-2029	276,500	0	0	0	276,500
REVENUE	GENERAL	CASH	FEDERAL	REVOLVING	TOTAL
FY2025-2026	0	0	0	0	0
FY2026-2027	43,583,000	1,764,000	0	0	45,347,000
FY2027-2028	65,372,000	2,646,000	0	0	68,018,000
FY2028-2029	67,331,000	2,725,000	0	0	70,056,000

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

LB 169 adds sales and use tax for the following:

- In the furnishing of telecommunication service, the bill removes the exemption for conference bridging services and adds interstate telecommunications services.
- In the furnishing of telegraph service, the bill adds interstate telegraph services.
- For the gross income received for animal specialty services, veterinary services are exempted from sales tax only in the case of specialty services or veterinary services performed on livestock as defined in section 54-183 and the exemption for animal grooming performed by a licensed veterinarian or a licensed veterinary technician in conjunction with medical treatment is removed.
- Chartered flights.
- Cleaning of clothing, excluding any amounts exempt pursuant to section 77-2704.14.
- Dating services.
- Hair care and hair removal services, except for the cutting of hair.
- Interior design and decorating services.
- Lobbying services.
- Local passenger transportation by chartered road vehicles, including limousines and similar luxury vehicles.
- Marketing and telemarketing services.
- Massage services.
- Nail care services.
- Personal instruction services for dance, golf, or tennis.
- Sightseeing services by ground vehicles.
- Skin care services.
- Swimming pool cleaning and maintenance services.
- Tattoo and body modification services.
- Telefloral delivery services, defined as amounts received by florists in this state who make deliveries in this state pursuant to instructions received from florists in other states.
- Travel agency services.
- Weight loss services.
- Sale or rental of videotape and film rentals, satellite programming, and satellite programming service when the sales tax or the admission tax is charged under the Nebraska Revenue Act of 1967 and except as provided in section 77-2704.39.
- Purchases of property as defined in subdivision (8) of section 51-702 or fine art by any museum as defined in subdivision (6) of section 51-702.
- Purchases by any historic automobile museum of items which are displayed or held for display by such historic automobile museum and which are reasonably related to the general purpose of such historic automobile museum.
- Any sale of a membership in or an admission to or any purchase by a nationally accredited zoo or aquarium operated by a public agency or nonprofit corporation primarily for educational, scientific, or tourism purposes.

Under the bill, the occupation tax levied and imposed by the Mechanical Amusement Device Tax Act shall be in addition to any and all taxes or fees, of any form whatsoever, imposed by the State of Nebraska upon the business of operating or distributing mechanical amusement devices, including sales and use tax on the gross receipts from the operation of mechanical amusement devices. The bill removes the mechanical amusement device sales tax exemption when there is payment of the tax and license fees due and owing on or before the licensing date of each year.

The bill provides that no political subdivision of the State of Nebraska shall levy or impose any tax on mechanical amusement devices in addition to the taxes imposed by the Mechanical Amusement Device Tax Act, except for local option sales and uses taxes.

The DOR estimates the following increase to revenues as a result of the bill assuming an effective date for the bill of October 1, 2026:

<i>Fiscal Year</i>	<i>General Fund</i>	<i>Highway Trust Fund</i>	<i>Highway Allocation Fund</i>	<i>Local (Assume 1.5%)</i>
<i>FY27</i>	\$43,583,000	\$1,764,000	\$311,000	\$10,897,000
<i>FY28</i>	\$65,372,000	\$2,646,000	\$467,000	\$18,677,000
<i>FY29</i>	\$67,331,000	\$2,725,000	\$481,000	\$19,238,000

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 a need to hire 2.0 FTE Fiscal Compliance Analyst, 0.5 FTE Revenue Agent, 1.0 FTE Revenue Agent Senior, 0.5 FTE Revenue Operations Clerk II as a result of the bill.

There is no basis to disagree with these estimates.

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2026

LB⁽¹⁾ 169

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾

Nebraska Department of Transportation

Prepared by: ⁽³⁾ Jenessa Boynton Date Prepared: ⁽⁴⁾ 12/19/2025 Phone: ⁽⁵⁾ 402-479-4691

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	FY 2026-27		FY 2027-28	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS	See below	\$1,764,000	See below	\$2,646,000
FEDERAL FUNDS				
OTHER FUNDS		\$311,000		\$467,000
TOTAL FUNDS	See below	\$2,075,000	See below	\$3,113,000

Explanation of Estimate:

LB169 is a carryover bill and would impose sales and use tax on the gross receipts of several services including: chartered flights, cleaning of clothing, dating services, hair care and hair removal, interior design and decorating services, lobbying services, local passenger transportation by chartered road vehicles, marketing and telemarketing services, massage services, nail care services, sightseeing services by ground vehicles, skin care services, swimming pool cleaning and maintenance services, tattoo and body modification services, travel agency services, and weight loss services. Additionally, the bill would allow the occupation tax by the Mechanical Amusement Device Act to be applied to the sales and use tax on the gross receipts from the operation of the mechanical amusement devices. Changes to the categories reported on the Tax Expenditure Report are also proposed.

The fiscal note assumes the bill operative date is October 1, 2026; one year from the original operative date of October 1, 2025.

Revenue to Build Nebraska Act Funds			
	FY2026-27	FY2027-28	FY2028-29
Highway Trust Fund (NDOT)	\$1,764,000	\$2,646,000	\$2,725,000
Highway Allocation Fund (cities and counties)	\$311,000	\$467,000	\$481,000
Total	\$2,075,000	\$3,113,000	\$3,206,000

This estimate of increased tax revenue is from the Nebraska Department of Revenue. The increase in revenue in Build Nebraska Act Funds will result in more funding available for NDOT highway construction projects, such as for expansion of the expressway system, and to the Highway Allocation Fund for cities and counties.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:	NUMBER OF POSITIONS		2026-27	2027-28	
	POSITION TITLE	26-27	27-28	EXPENDITURES	EXPENDITURES
Benefits.....					
Operating.....					
Travel.....					
Capital outlay.....					
Aid.....					
Capital improvements.....					
TOTAL.....					

State Agency Estimate

State Agency Name: Department of Revenue				Date Due LFO:
Approved by: James R. Kamm	Date Prepared:		12/02/2025	Phone: 471-5896
	<u>FY 2026-2027</u>		<u>FY 2027-2028</u>	<u>FY 2028-2029</u>
	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>
General Funds	\$285,600	\$43,583,000	\$268,500	\$65,372,000
Cash Funds		\$1,764,000		\$2,646,000
Federal Funds				
Other Funds		\$311,000		\$467,000
Total Funds	\$285,600	\$45,658,000	\$268,500	\$68,485,000

Revised to include the estimates for gross income received from animal specialty services and veterinary services – excepts for livestock.

LB 169 eliminates sales and use tax exemption and imposes sales and use taxes on certain services and makes changes to the Mechanical Amusement Device Tax Act and Tax Expenditure Reporting Act.

LB 169 imposes the sales and use tax on the followings:

- In the furnishing of telecommunications services, it no longer has an exception for conference bridging services and now includes interstate telecommunications services.
- In the furnishing of telegraph services, it now includes interstate telegraph services.
- In the gross income received for animal specialty services and veterinary services, there is an exemption for animal specialty service or veterinary services performed on lives as defined in section 54-83 and it eliminates the exception for animal grooming performed by a licensed veterinarian or a licensed veterinary technician in conjunction with medical treatment.
- Film rentals.
- Certain purchases by museums, including fine art.
- Admissions to nationally accredited nonprofit zoos or aquariums.
- Gross income received for:
 - Providing chartered flights.
 - Cleaning of clothing excluding any amounts pursuant to section 77-2704.14 (Coin-operating laundering and cleaning machines).
 - Dating services.
 - Hair care and hair removal services, except for the cutting of hair.
 - Interior design and decorating services.
 - Lobbying services.
 - Local passenger transportation by chartered road vehicles, including limousines and similar luxury vehicles.
 - Marketing and telemarketing services.
 - Massage services.

Major Objects of Expenditure

<u>Class Code</u>	<u>Classification Title</u>	26-27	27-28	28-29	26-27	27-28	28-29
		<u>FTE</u>	<u>FTE</u>	<u>FTE</u>	<u>Expenditures</u>	<u>Expenditures</u>	<u>Expenditures</u>
A21211	Fiscal Compliance Analyst	2.0	2.0	2.0	\$101,400	\$104,500	\$107,600
X29222	Revenue Agent	0.5	0.5	0.5	\$22,600	\$23,300	\$24,000
X29223	Revenue Agent Senior	1.0	1.0	1.0	\$52,200	\$53,800	\$55,400
S29112	Revenue Op Clerk II	0.5	0.5	0.5	\$19,700	\$20,300	\$20,900
Benefits.....					\$64,700	\$66,600	\$68,600
Operating Costs.....							
Travel.....							
Capital Outlay.....					\$25,000		
Capital Improvements.....							
Total.....					\$285,600	\$268,500	\$276,500

- Nail care services.
- Personal instruction for dance, golf, or tennis.
- Sightseeing services by ground vehicles.
- Skin care services.
- Swimming pool cleaning and maintenance services.
- Tattoo and body modification services.
- Tele-floral delivery services, defined as amounts received by florists in this state pursuant to instructions received from florists in other states.
- Travel agency services.
- Weight loss services.

The Tax Expenditure Report specified categories remain the same with the following changes.

- Agriculture items will now include animal specialty services and veterinary services performed on livestock as defined in section 54-183 and not animal grooming.
- Consumer goods items will no longer include tele-floral deliveries.
- General business items will no longer include film rentals.
- Nonprofit, government, and exempt entities items will no longer include fine art purchases by a museum.
- Services purchased for nonbusiness use will no longer include cleaning and repair of clothing, personal care services, pet related services, and tax, limousine, and other transportation service. The cutting of hair is now a listed item in the services purchased for nonbusiness use.
- Telecommunications items will no longer include conference bridging services.

The occupation tax levied and imposed by the Mechanical Amusement Device Tax Act shall be in addition to any and all taxes or fees imposed by the State of Nebraska and specifically includes sales and use tax on the gross receipts from the operation of mechanical amusement devices.

The following items are no longer an exemption of the Mechanical Amusement Device Tax Act occupation tax:

- Payment of the tax and license fees due and owing on or before the licensing date of each year.

In addition, the Mechanical Amusement Device Tax Act would now allow levying of local option sales and use tax in addition to the taxes already imposed by this Act.

The estimated fiscal impact of LB 169 to the General Fund revenues and various cash funds would be as follows, assuming the effective date for the bill is October 1, 2026:

Fiscal Year	General Fund revenues	Highway Trust Fund	Highway Allocation Fund (Cities and Counties)	Local (Assume 1.5%)
FY26-27	\$ 43,583,000	\$ 1,764,000	\$ 311,000	\$ 10,897,000
FY27-28	\$ 65,372,000	\$ 2,646,000	\$ 467,000	\$ 18,677,000
FY28-29	\$ 67,331,000	\$ 2,725,000	\$ 481,000	\$ 19,238,000

The Department of Revenue will need to hire 2.0 FTE of Fiscal Compliance Analyst, 0.5 FTE Revenue Agent, 1.0 Revenue Agent Senior, and 0.5 Revenue Operation Clerk II to implement LB 169. These positions are needed to handle new businesses that would become subject to sales tax and increase in taxpayers call for questions and increase in errors for processing of sales and use tax returns.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 169	AM:	AGENCY/POLT. SUB: Department of Revenue
REVIEWED BY: Ryan Yang	DATE: 12/16/2025	PHONE: (402) 471-4178
COMMENTS: The Department of Revenue assessment of fiscal impact from LB 169 appears reasonable.		