

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

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

	FY 2025-26		FY 2026-27	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS		(\$669,000)		(\$84,000)
CASH FUNDS		(\$24,000)		(\$7,000)
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS		(\$693,000)		(\$91,000)

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

LB 699 amends the ImagiNE Nebraska Act.

Under section 77-6831 (2)(b), the bill provides for an exemption from all sales and uses taxes under the Local Option Revenue Act, the Nebraska Revenue Act of 1967, the Qualified Judgment Payment, and sections 13-319, and 13-2813 on the types of purchases, including rentals, listed in subdivision (a) of this subsection for such purchases, including rentals, occurring during each year of the performance period in which the taxpayer is at or above the required levels of employment and investment, except that the exemption shall be for the actual materials purchased with respect to subdivisions (2)(iii), (iv), and (v) of this section. To the extent a contractor purchasing materials pursuant to subdivisions (2)(iii), (iv), and (v) of this section has made an election to be taxed as a consumer of building materials under subdivision (2) or (3) of section 77-2701.10 and has already paid sales tax or remitted use tax on such property, then such contractor shall certify the amount paid to the taxpayer, and the taxpayer shall be entitled to a refund of such taxes as if such taxes were incurred by the taxpayer. To the extent a contractor purchasing materials pursuant to subdivisions (2)(iii), (iv), and (v) of this section has made an election to be taxed as the consumer of building materials under subdivision (2) or (3) of section 77-2701.10 and has not paid sales tax or remitted use tax, then such contractor's purchases shall be exempt from such taxes as if such purchases were made by the taxpayer.

The Department of Revenue (DOR) estimates a reduction to revenues as seen in the table below. The DOR estimates no fiscal impact from this bill after the exemption in section 77-2706.02 is operative on July 1, 2026.

	General Fund Revenues	Highway Trust Fund	Highway Allocation Fund	Locals (assume 1.5%)
FY 2025-26	\$ (669,000)	\$ (24,000)	\$ (4,000)	\$ (167,000)
FY 2026-27	\$ (84,000)	\$ (7,000)	\$ (1,000)	\$ (48,000)
FY 2027-28	\$ -	\$ -	\$ -	\$ -

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

The DOR estimates minimal costs to it to implement the bill.

There is no basis to disagree with these estimates by the DOR.

The Department of Economic Development estimates no fiscal impact to it as a result of the bill. There is no basis to disagree with this estimate.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE

LB: 699	AM:	AGENCY/POLT. SUB: Department of Revenue	
REVIEWED BY: Ryan Yang		DATE: 3/4/2025	PHONE: (402) 471-4178
COMMENTS: Concur with the Department of Revenue assessment of General Fund and cash fund impacts to the State by LB 699 as written, and minimal fiscal impact to the agency from LB 699.			

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 699	AM:	AGENCY/POLT. SUB: Nebraska Department of Transportation
REVIEWED BY: Ryan Yang	DATE: 3/4/2025	PHONE: (402) 471-4178
COMMENTS: Concur with the Department of Transportation assessment of cash fund impacts by LB 699.		

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 699	AM:	AGENCY/POLT. SUB: Department of Economic Development
REVIEWED BY: Ryan Yang	DATE: 1/28/2025	PHONE: (402) 471-4178
COMMENTS: Concur with the Department of Economic Development assessment of no fiscal impact from LB 699.		

State Agency Estimate

State Agency Name: Department of Revenue				Date Due LFO:		
Approved by: James R. Kamm		Date Prepared: 03/03/2025		Phone: 471-5896		
	<u>FY 2025-2026</u>		<u>FY 2026-2027</u>		<u>FY 2027-2028</u>	
	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>
General Funds		\$(669,000)		\$(84,000)		*
Cash Funds		\$(24,000)		\$(7,000)		
Federal Funds						
Other Funds		\$(4,000)		\$(1,000)		
Total Funds		\$(697,000)		\$(92,000)		*

LB 699 modifies § 77-6831 and provides for an exemption of sales/use tax on building materials purchased by a contractor (option 2 or 3) for an ImagiNE applicant's project.

LB 699 accomplishes the same result as 77-2706.02 (buyer-based exemption) for an ImagiNE applicant's project, which allows buyer-based tax exemptions for purchases made by a construction contractor (or purchasing agents) of qualified materials for construction projects. The contractor who has been appointed as a purchasing agent may purchase the materials tax free, or may apply for a refund of, or use as a credit, against a future use tax liability, the tax paid on inventory items annexed to real estate in the construction, improvement, or repair of a project that belongs to the client who is eligible for the buyer-based exemption.

Since LB 699 is effective on October 1, 2025, and 77-2706.02 is effective on July 1, 2026, LB 699 is estimated to have the following fiscal impact:

	General Fund Revenues	Highway Trust Fund	Highway Allocation Fund	Locals (assume 1.5%)
FY 2025-26	\$ (669,000)	\$ (24,000)	\$ (4,000)	\$ (167,000)
FY 2026-27	\$ (84,000)	\$ (7,000)	\$ (1,000)	\$ (48,000)
FY 2027-28	\$ -	\$ -	\$ -	\$ -

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

The operative date for this bill is October 1, 2025.

Major Objects of Expenditure

<u>Class Code</u>	<u>Classification Title</u>	<u>25-26 FTE</u>	<u>26-27 FTE</u>	<u>27-28 FTE</u>	<u>25-26 Expenditures</u>	<u>26-27 Expenditures</u>	<u>27-28 Expenditures</u>
Benefits.....							
Operating Costs.....							
Travel.....							
Capital Outlay.....							
Capital Improvements.....							
Total.....							

State Agency OR Political Subdivision Name: ⁽²⁾ Department of Economic Development

Prepared by: ⁽³⁾ Dave Dearmont

Date Prepared: ⁽⁴⁾ 1/28/2025

Phone: ⁽⁵⁾ (402) 471-3777

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION				
	FY 2025-26		FY 2026-27	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS				

Explanation of Estimate:

LB 699 seeks to change the sales and use tax incentives under the Imagine Act by amending Neb. Rev. Stat. § 77-6831(2)(b) to allow for an exemption of sales and use taxes in the performance period for purchases made by a contractor with purchasing agent authority.

LB699 would have no impact on DED’s portion of the administration of the Imagine act.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE				
Personal Services:				
POSITION TITLE	NUMBER OF POSITIONS		2025-26	2026-27
	25-26	26-27	EXPENDITURES	EXPENDITURES
Benefits.....				
Operating.....				
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
TOTAL.....				

State Agency OR Political Subdivision Name: ⁽²⁾ Nebraska Department of Transportation

Prepared by: ⁽³⁾ Jenessa Boynton

Date Prepared: ⁽⁴⁾ 2/27/25

Phone: ⁽⁵⁾ 402-479-4691

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	FY 2025-26		FY 2026-27	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS		(\$24,000)		(\$7,000)
FEDERAL FUNDS				
OTHER FUNDS		(\$4,000)		(\$1,000)
TOTAL FUNDS		(\$28,000)		(\$8,000)

Explanation of Estimate:

LB 699 as proposed would modify Neb. Rev. Stat. §77-6831 as part of the ImagiNE Nebraska Act by providing an exemption of sales/use tax on building materials purchased by a contractor. The operative date of the bill is October 1, 2025.

Revenue to Build Nebraska Act Funds		
	FY2025-26	FY2026-27
Highway Trust Fund	(\$24,000)	(\$7,000)
Highway Allocation Fund (cities and counties)	(\$4,000)	(\$1,000)
Total	(\$28,000)	(\$8,000)

This estimate of decreased tax revenue is from the Nebraska Department of Revenue. The reduction in the sales tax base will divert revenues from the Build Nebraska Act Funds beginning October 1, 2025, which is prior to the July 1, 2026, effective date of Neb. Rev. Stat. §77-2706.02 which accomplishes the same results. If enacted, there will be less available funding to the Highway Trust Fund for NDOT and the Highway Allocation Fund for cities and counties.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

POSITION TITLE	NUMBER OF POSITIONS		2025-26	2026-27
	25-26	26-27	EXPENDITURES	EXPENDITURES
Benefits.....				
Operating.....				
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
TOTAL.....				