John Wiemer February 26, 2025 402-471-0051

LB 712

Revision: 00 FISCAL NOTE LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)							
	FY 202	5-26	FY 20	26-27			
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE			
GENERAL FUNDS	\$12,600	\$22,162,000		\$34,241,000			
CASH FUNDS							
FEDERAL FUNDS							
OTHER FUNDS							
TOTAL FUNDS	\$12,600	\$22,162,000		\$34,241,000			

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

Under LB 712, the tax on electronic nicotine delivery systems (ENDS) is 40% of the purchase price paid by the first owner or the price at which the first owner who made, manufactured, or fabricated the ENDS sells the item to others.

We agree with the estimates provided by the Department of Revenue (DOR) regarding their estimates for General Fund revenue increases as a result of the bill, except that in FY26 we estimate revenue would be collected for 8 months instead of the 9 months estimated by the DOR with the assumption the tax rate would go into effect October 1, 2025 and collections beginning in November:

- FY26: \$22,162,000
- FY27: \$34,241,000
- FY28: \$35,269,000
- FY29: \$36,327,000

The DOR estimates minimal impact to the Highway Trust Fund and Highway Allocation Fund, which is distributed to cities and counties.

The DOR estimates a one-time programming charge of \$12,600 to be paid to the Office of the Chief Information Officer (OCIO) as a result of this bill.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE					
LB: 712 AM: AGENCY/POLT. SUB: Department of Revenue					
REVIEWED	BY: Ryan Yang	DATE: 2/26/2025	PHONE: (402) 471-4178		
COMMENTS: Concur with the Department of Revenue assessment of fiscal impact from LB 712.					

Fiscal Note 2025

State Agency Estimate								
State Agency Name: Department of	Revenue		Date Due LFO:					
Approved by: James R. Kamm		Date Prepared:	02/25/2025		Phone: 471-5896			
	<u>FY 202</u>	5-2026			<u>FY 202</u>	7-2028		
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue		
General Funds	\$12,600	\$24,933,000		\$34,241,000		\$35,269,000		
Cash Funds								
Federal Funds								
Other Funds								
Total Funds	\$12,600	\$24,933,000		\$34,241,000		\$35,269,000		

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LB 712 would increase the tax rate on electronic nicotine delivery systems (ENDS). Currently, ENDS products containing three milliliters or less of consumable material is taxed at a rate of five cents per milliliter. ENDS products containing more than three milliliters are taxed at 10% of the purchase price.

LB 712 would eliminate the discrepancy in calculating tax rate based on the amount of consumable material. Instead, all ENDS including ENDS without consumable material would be taxed at a rate of 40% of the purchase price.

It is estimated that LB 712 will have the following impact on the General Fund revenues:

Fiscal Year	General Fund revenues
FY 2025-26	\$ 24,933,000
FY 2026-27	\$ 34,241,000
FY 2027-28	\$ 35,269,000
FY 2028-29	\$ 36,327,000

It is estimated that LB 712 will have minimal impact on the Highway Trust Fund and Highway Allocation Fund.

LB 712 will require a one-time programing charge of \$12,600 paid to the OCIO to implement necessary changes.

The operative date for this bill is three months after the adjournment of the legislature.

Major Objects of Expenditure								
<u>Class Code</u>	Classification Title	25-26 <u>FTE</u>	26-27 <u>FTE</u>	27-28 <u>FTE</u>	25-26 <u>Expenditures</u>	26-27 <u>Expenditures</u>	27-28 <u>Expenditures</u>	
Benefits	Benefits							
Operating Costs				\$12,600				
Travel								
Capital Improvements								
Total					\$12,600			