

**FISCAL NOTE**  
 LEGISLATIVE FISCAL ANALYST ESTIMATE

| <b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *</b> |                     |                     |                     |                     |
|---|---------------------|---------------------|---------------------|---------------------|
|   | <b>FY 2010-11</b>   |                     | <b>FY 2011-12</b>   |                     |
|   | <b>EXPENDITURES</b> | <b>REVENUE</b>      | <b>EXPENDITURES</b> | <b>REVENUE</b>      |
| GENERAL FUNDS                                       | \$2,072,800         | \$44,400,000        | \$4,150,100         | \$92,300,000        |
| CASH FUNDS  |                     |                     |                     |                     |
| FEDERAL FUNDS                                       |                     |                     |                     |                     |
| OTHER FUNDS   |                     |                     |                     |                     |
| <b>TOTAL FUNDS</b>                                  | <b>\$2,072,800</b>  | <b>\$44,400,000</b> | <b>\$4,150,100</b>  | <b>\$92,300,000</b> |

\*Does not include any impact on political subdivisions. See narrative for political subdivision estimates.

LB 1066 amends the Nebraska Revenue Act of 1967, Nebraska Revised Statutes Section 27-2701.16 to impose a sales and use tax on certain services. The bill has an operative date of January 1, 2011.

The bill amends the sales and use tax definition of gross receipts to include 56 categories of services that are not currently subject to sales and use tax. Some of the services that would be taxed under the provisions of LB 1066 are: alteration and garment repair; vehicle repair; investment counseling; barber and beauty; carpentry; dating services; dry cleaning, pressing, dyeing, and laundering; excavating and grading; flying services; fur storage and repair; golf and country clubs and all commercial recreation; gun and camera repair; house and building moving; household appliance, television, and radio repair; jewelry and watch repair; lawn care, landscaping, and tree trimming; machine repair of all kinds; motorcycle, scooter, and bicycle repair; shoe repair and shoeshine; reflexology; massage and reducing salons; welding; and a number of other services.

The Department of Revenue estimates that LB 1066 would increase revenue to the General Fund by the following:

|          |               |
|----------|---------------|
| FY10-11: | \$ 44,400,000 |
| FY11-12: | \$ 92,300,000 |
| FY12-13: | \$ 96,000,000 |

The Department also indicates that LB 1066 would increase the number of sales and use tax returns to be processed by between 15 percent and 20 percent. The Department believes this will require a significant staff increase to process these returns. The Department indicates they will need an additional 48 auditors, 14 revenue agents, and within three years, an additional staff attorney to deal with additional assessments. The bill would also reinstate some of the sales taxes on contractor labor, and based on previous experience; administration of this tax would require additional tax policy specialists to assist with necessary changes in tax forms and instructions, mailings, information guides, and education.

There is no basis to disagree with the Department of Revenue's estimate of fiscal impact or expenditure.

**IMPACT TO POLITICAL SUBDIVISIONS:**

Political subdivisions collecting sales and use tax under the local option sales and use tax will see an increase in revenue, but given the differences in rates and availability of these services, the impact cannot be determined at this time.