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PREPARED BY: Doug Gibbs
DATE PREPARED: February 13, 2012
PHONE: 402-471-0051

LB 956

Revision: 00

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *				
	FY 2012-13		FY 2013-14	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$67,050			See Below
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$67,050			See Below

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

LB 956 amends Nebraska Revised Statutes dealing with revenue and taxation, to allow an incorporated municipality to impose a local option sales tax of 1.75% or 2.0%.

Any municipality that proposes to impose a sales tax rate greater than 1.5% shall submit the question to the voters of the municipality at the municipality's primary or general election. Any such tax so imposed shall terminate no later than 10 years following the effective date of the tax or, if the revenue from the tax is pledged for payment of bonds the tax terminates when the bonds are paid, whichever date is later.

The bill imposes a further restriction on any municipality that imposes a sales tax rate greater than 1.5% by requiring that the municipality be a party to an interlocal agreement or a joint public agency agreement with a school district within the municipality or with the county in which the municipality is located to create a separate legal or administrative entity. The agreement is to contain provisions relating to the long-term development of unified governance of transportation, infrastructure, economic development, public safety services, education, or information technology services. The municipality is not required to use all of the additional revenue generated by the increased sales tax for purposes of the interlocal or joint public agency agreement.

Because the bill only deals with local option sales tax, it does not have a direct impact on state General Fund revenue. However, the Department of Revenue indicates that increased local option sales tax could have an overall negative impact on taxable sales which would decrease state General Fund revenue.

The Department of Revenue estimates a one-time programming cost of \$67,050, to be billed by the OCIO for programming.

There is no basis to disagree with the Department's estimate.

IMPACT TO LOCAL SUBDIVISIONS:

The Department of Revenue has provided the following estimate of fiscal impact for the five largest cities in Nebraska:

Estimated Revenue Increase Going From 1.5% to 1.75%:

Fiscal Year:	Omaha:	Lincoln:	Kearney:	Grand Island:	Bellevue:
FY2013-14:	\$28,619,000	\$10,451,000	\$2,059,000	\$3,027,000	\$1,186,000
FY2014-15:	\$29,764,000	\$10,869,000	\$2,141,000	\$3,148,000	\$1,233,000

Estimated Revenue Increase Going From 1.50% to 2.00%:

Fiscal Year:	Omaha:	Lincoln:	Kearney:	Grand Island:	Bellevue:
FY2013-14:	\$57,094,000	\$20,849,000	\$4,107,000	\$6,038,000	\$2,366,000
FY2014-15:	\$59,378,000	\$21,683,000	\$4,271,000	\$6,280,000	\$2,460,000

The city of Lincoln estimated that increasing the sales tax from 1.5% to 2.0% would provide additional tax revenue in excess of \$19,000,000. Election costs to place the question on the ballot would be approximately \$55,000.

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

LB956 Fiscal Note
DAS ANALYST COMMENTS

DEPARTMENT OF ADMINISTRATIVE SERVICES

REVIEWED BY	Lyn Heaton	2/15/12	PHONE 471-2526
COMMENTS			
CITY OF LINCOLN – The city's estimate appears reasonable.			

State Agency Estimate

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State Agency Name: Department of Revenue

Date Due LFA: 01/20/2012

Approved by: Douglas Ewald

Date Prepared: 02/6/2012

Phone: 471-5700

	FY 2012-2013		FY 2013-2014		FY 2014-2015	
	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>
General Funds	\$67,050	(See Below)		(See Below)		(See Below)
Cash Funds						
Federal Funds						
Other Funds						
Total Funds	\$67,050	(See Below)		(See Below)		(See Below)

LB 956 authorizes the imposition of a local option sales tax rate of 1.75% or 2.00%. A rate increase in excess of 1.50% is subject to voter approval and expires after 10 years, or the expiration of any bonds financed by the rate increase in local option sales tax.

The bill does not have a direct impact on state General Fund sales tax collections. However, increased local sales taxes will have an overall negative impact on taxable sales, decreasing state General Fund sales tax collections.

The potential local option sales tax impact for the five largest cities (Omaha, Lincoln, Kearney, Grand Island, and Bellevue) is estimated below. The first table is the estimated revenue increase for each city, if the rate is raised from 1.50% to 1.75%. The second table is the revenue increase if the rate is raised from 1.50% to 2.00%.

The Department estimates one-time programming costs of \$67,050, to be billed by the OCIO for programming.

Major Objects of Expenditure

<u>Class Code</u>	<u>Classification Title</u>	<u>12-13 FTE</u>	<u>13-14 FTE</u>	<u>14-15 FTE</u>	<u>12-13 Expenditures</u>	<u>13-14 Expenditures</u>	<u>14-15 Expenditures</u>
	Benefits.....						
	Operating						
	Costs.....				\$67,050	\$0	\$0
	Travel.....						
	Capital Outlay.....						
	Aid.....						
	Capital						
	Improvements.....						
	Total.....				\$67,050	\$0	\$0

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JAN 13 2012

LEGISLATIVE FISCAL

2012

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LB⁽¹⁾ 956 FISCAL NOTE

State Agency OR Political Subdivision Name: (2) City of Lincoln, NE

Prepared by: (3) Sherry Wolf Drbal Date Prepared: (4) 1/12/12 Phone: (5) 402-441-8305

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	FY 2012-2013		FY 2013-2014	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	=====	=====	=====	=====

Return by date specified or 72 hours prior to public hearing, whichever is earlier.

Explanation of Estimate:

One half percent additional sales tax revenue would be over \$19,000,000. The election costs to put the question on the ballot would be around \$55,000.

MAJOR OBJECTS OF EXPENDITURE

Personal Services:

POSITION TITLE	NUMBER OF POSITIONS		2012-2013	2013-2014
	12-13	13-14	EXPENDITURES	EXPENDITURES
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____