PREPARED BY: DATE PREPARED: PHONE: Doug Gibbs January 22, 2013 402-471-0051

LB 25

Revision: 00

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT - STATE AGENCIES (See narrative for political subdivision estimates)						
	FY 2013-14 EXPENDITURES REVENUE		FY 2014-15			
			EXPENDITURES	REVENUE		
GENERAL FUNDS		(2,226,000)				
CASH FUNDS						
FEDERAL FUNDS						
OTHER FUNDS						
TOTAL FUNDS		(2,226,000)				

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

LB 25 amends Nebraska Revised Statutes dealing with the cigarette tax and the tobacco products tax.

Section 77-2602 is amended to change when the special privilege (cigarette) tax is to be paid. Current statute requires the tax to be paid by the stamping agent (wholesaler) prior to or at the time of the sale, gift, or delivery to the retail dealer. LB 25 changes that requirement to state that the stamping agent shall report and pay the tax on the fifteenth day of the month. The amount to be paid shall be based on the agent's taxable sales during the preceding month. In addition, the agent shall not be required to pay the tax at the time they acquire stamps or tax meter impressions. The stamping agent is also required to provide a surety bond or deposit money or other security with the Tax Commissioner to insure payment of the tax.

Section 77-4014 changes the day the tobacco products tax return is to be filed with the Tax Commissioner and the tax to be paid, from the tenth of the month to the fifteenth.

The bill has an operative date of October 1, 2013.

The Department of Revenue estimates the following fiscal impact to the General Fund as a result of LB 25:

FY2013-14: (\$2,226,00)

FY2014-15: \$0 FY2015-16: \$0

The Department's estimate approximates the average size of each stamping agent's cigarette stamp purchase order that must be exhausted prior to conversion to the proposed postpaid system. Such a conversion would result in a delay between the consumption of final prepaid stamps and the first postpaid reports that are submitted with payment, therefore the initial loss of revenue.

The Department estimates that the cost to implement LB 25 is expected to be minimal.

We agree with the Department's estimate of fiscal impact and cost.

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES						
LB: <mark>25</mark> AM:	AGENCY/POLT. SUB: Dept. of Revenue					
REVIEWED BY: Lyn Heaton	DATE: 1/23/2013	PHONE: 402.471.4181				
COMMENTS: No basis upon which to disagree with the Dept. of Revenue's analysis. It is also assumed that later payment of amounts due for other tobacco products from the 10 th of each month to the 15 th will cause a small reduction in the interest earnings available to the Tobacco Products Administration Cash Fund, which amounts are ultimately transferred to the General Fund.						

		State Agency	Estimate			_
State Agency Name: Department	of Revenue				Date Due LFA:	1/22/2013
Approved by: Douglas Ewald		Date Prepared:	1/14/2013		Phone: 471-5896	
	FY 2013	3-2014	FY 201	4-201 <u>5</u>	FY 20	15-2016
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue
General Funds		(\$2,226,000)		\$0		\$0
Cash Funds						
Federal Funds						
Other Funds						
Total Funds		(\$2,226,000)		\$0		\$0

LB 25 would amend Neb. Rev. Stat. § 77-2602 to eliminate the requirement that cigarette stamping agents pay for cigarette stamps in advance of affixing them to the packages. Instead, the stamping agent would report and pay tax on cigarettes sold during the previous month. The return and payment would be due the 15th of the month following the sale. A surety bond or deposit would be required.

LB 25 would also amend Neb. Rev. Stat. § 77-4014 to change the due date of the return and payment for other tobacco products from the 10th of the month following the sale to the 15th.

The bill is expected to affect revenue to the General Fund by the following amounts:

FY 2013-14: (\$2,226,000)

FY 2014-15: \$0 FY 2015-16: \$0

Fixed transfers to cash funds receiving proceeds of the cigarette tax are not affected.

The estimate approximates the average size of each stamping agent's cigarette stamp purchase order that must be exhausted prior to conversion to the postpaid system. Conversion to a post-paid system would result in a delay between the consumption of final prepaid stamps and the first postpaid reports that are remitted with payment.

The bill's effective date is October 1, 2013.

Departmental cost to implement the bill is expected to be minimal.

Major Objects of Expenditure							
Class Code	Classification Title	13-14 <u>FTE</u>	14-15 <u>FTE</u>	15-16 <u>FTE</u>	13-14 Expenditures	14-15 Expenditures	15-16 Expenditures
Benefits							
Operating Costs							
Travel							
Capital Outlay							
Aid							
Capital Improvements							