PREARED BY: DATE PREPARED: PHONE: Sandy Sostad February 18, 2014 471-0054

**LB 1025** 

Revision: 00

## FISCAL NOTE LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT - STATE AGENCIES (See narrative for political subdivision estimates)							
	FY 201	4-15	FY 2015-16				
	EXPENDITURES	EXPENDITURES REVENUE		REVENUE			
GENERAL FUNDS	\$72,670	(\$29,723,000)		(\$78,469,000)			
CASH FUNDS							
FEDERAL FUNDS							
TRUST FUNDS	See Below	\$29,723,000	See Below	\$78,249,000			
TOTAL FUNDS	\$72,670	0		0			

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

LB 1025 provides for the proceeds of the sales and use taxes derived from transactions occurring after January 1, 2015 from online purchases to be credited to the Nebraska Educational Trust Fund. This excludes proceeds credited to the Highway Trust Fund, State Highway Capital Improvement Fund and Highway Allocation Fund.

The Educational Trust Fund is created in the bill to provide a dedicated source of revenue to stabilize the total amount of state aid to schools under the Tax Equity and Educational Opportunities Support Act (TEEOSA). LB 1025 provides for the Legislature to transfer funds from the Educational Trust Fund to fund TEEOSA aid whenever the Legislature determines it is necessary to provide additional funding for TEEOSA.

Revenues: The Department of Revenue estimates that 8 – 10% of all retail sales are online sales. The department projects a loss of revenue to the General Fund of \$29,723,000 in FY15, \$78,469,000 in FY16 and \$86,316,000 in FY17 assuming sales taxes are collected for online sales. The Educational Trust Fund will have increased revenue of a like amount. It is unknown when the funds will be expended by the Legislature for TEEOSA aid and to what extent trust funds will be used to offset future general fund requirements for TEEOSA aid.

<u>Expenditures</u>: The Department of Revenue will have one-time computer programming expenses of \$72,670 of general funds in FY15 related to changes in programming for the mainframe, web development, and programming to allow retailers to report online sales tax collections separately from other sales.

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES							
	LB: 1025 AM: AGENCY/POLT. SUB: Department of Education						
	REVIEWED BY: Lyn Heaton			DATE: 2/27/2014	PHONE: 402.471.4181		
Ī	COMMENTS: No operational fiscal impact on the Department of Education						

<b>LB</b> <sup>(1)</sup> 1025					FISCAL NOTE		
State Agency OR Political Subdivision Name: (2)	NDE/S	NDE/School Finance & Organization Services					
Prepared by: (3) Wilson/Inbody	Date Pı	repared: (4)	January 23, 2014	Phone: (5)	1-3323		
State Agency OR Political Subdivision Name: (2)  NDE/School Finance & Organization Services							
FY	2014-15			FY 2015-16			
		EVENUE	<b>EXPENDITU</b>				
GENERAL FUNDS							
CASH FUNDS							
FEDERAL FUNDS							
OTHER FUNDS							
TOTAL FUNDS							
determined at this time.							
				URES			
Benefits							
Operating							
Travel							
Capital outlay							
Aid							
Capital improvements							
TOTAL							

LB 1025 Fiscal Note 2014

State Agency Estimate								
State Agency Name: Department	of Revenue				Date Due LFA:	1/30/2014		
Approved by: Kim Conroy		Date Prepared:	1/30/2014		Phone: 471-5896			
FY 2014-2015		<u>4-2015</u>	FY 2015-2016		FY 2016-2017			
	<b>Expenditures</b>	Revenue	Expenditures	Revenue	Expenditures	Revenue		
General Funds	\$72,670	(\$29,723,000)		(\$78,469,000)		(\$86,316,000)		
Cash Funds		\$29,723,000		\$78,469,000		\$86,316,000		
Federal Funds								
Other Funds								
Total Funds	\$72,670	\$0		\$0		\$0		
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LB 1025 credits state sales and use tax proceeds from all online purchases occurring within and outside of Nebraska on or after January 1, 2015, to the Nebraska Educational Trust Fund. The amount excludes proceeds credited to the Highway Trust Fund, State Highway Capital Improvement Fund, and Highway Allocation Fund.

LB 1025 allows funds to be transferred from the Fund to the Tax Equity and Educational Opportunities Fund for purposes of stabilizing state aid to schools.

Currently, the Department of Revenue does not track online purchases separately from other sales tax transactions. However, studies have estimated that 8 to 10% of all retail sales are made online. The impact of LB 1025 is estimated to be as follows:

Fiscal Year	General Fund	Nebraska Educational Trust Fund
FY 2014-15	(\$29,723,000)	\$29,723,000
FY 2015-16	(\$78,469,000)	\$78,469,000
FY 2016-17	(\$86,316,000)	\$86,316,000

LB 1025 would require a one-time programming charge of \$72,670 paid to the OCIO for mainframe, web development, and programming costs to allow retailers to separately report sales tax associated with online sales and all other sales.

Major Objects of Expenditure							
Class Code	Classification Title	14-15 <u>FTE</u>	15-16 <u>FTE</u>	16-17 <u>FTE</u>	14-15 Expenditures	15-16 Expenditures	16-17 Expenditures
-							
Benefits							
Operating Costs					\$72,670		
Travel							
Capital Outlay							
Aid							
Capital Improvemen	ts						
Total			\$72,670				