

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2015-16		FY 2016-17	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	See Below	See Below	See Below	See Below
CASH FUNDS		See Below		See Below
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	See Below	See Below	See Below	See Below

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

LB 613 would amend Nebraska Revised Statutes to provide that if the federal government passes a law that requires internet sales tax collection by online retailers and the remission of such tax to the states, the Nebraska Department of Revenue shall determine the amount of additional revenue collected during the first 12 months following the date on which Nebraska begins collecting the additional revenue. The amount collected is to be certified by the Department of Revenue to the Governor, Legislature, and the State Treasurer.

Following the determination of additional sales tax revenue collected, the Department of Revenue is to then determine new individual income tax rates for the following tax year based on a reduction in the rates equivalent to 50% of the additional sales tax revenue. The tax rate reductions are to be in proportion to the amount of income tax attributable to each tax bracket. The change in tax brackets would apply for only one tax year and then would return to their previous levels.

In addition, the equivalent of 50% of the amount of additional sales tax revenue determined by the Department of Revenue pursuant to LB 613 shall be credited to the Property Tax Credit Cash Fund. We assume this would occur in the fiscal year in which the determination is made and would be a one-time credit.

The Department of Revenue estimates that the enactment of federal authorization for remote sales collection authority could increase sales tax receipts by approximately \$45 to \$60 million annually.

We agree with the Department of Revenue's estimate.

Determining the precise fiscal year impact of LB 613 is difficult given the uncertainty of the federal authorization, when the collection of any additional revenue might begin, when the determination of the amount of additional revenue is made by the Department, and to which tax year the new income tax rates will apply.

The Department of Revenue has provided the following example, assuming the federal legislation passes yet this year and that the collection of such sales tax begins January 1, 2016:

LB 613 would result in receiving part of the increased sales tax revenue in FY2015-16; an entire year of increased state sales tax revenue for FY2016-17, split evenly between the General Fund and the Property Tax Credit Cash Fund; nothing for the Property Tax Credit Cash Fund and only half of the increased state sales tax revenue for FY2017-18 due to the individual income tax rate reductions; and the full increase in state sales tax revenues FY2018-19 and beyond. Under these assumptions, LB 613 would have the following impact to the General Fund and Cash Fund:

Fiscal Year:	General Fund:	Property Tax Credit Cash Fund:
2015-16:	\$ 18 - \$ 25 Million	\$ 0
2016-17:	\$ 22.5 - \$ 30 Million	\$ 22.5 - \$ 30 Million
2017-18:	\$ 22.5 - \$ 30 Million	\$ 0
2018-19:	\$ 45 - \$ 60 Million	\$ 0

The Department of Revenue indicates that LB 613 will require a programming charge paid to the Office of the CIO of \$41,202 to make changes to the Form 10 in the first fiscal year; \$46,066 to make changes to Form 1040N to reflect the lower individual income tax rate in the second fiscal year; and \$46,066 in the third fiscal year to make changes to Form 1040N to reflect the reversal of the lower individual income tax rates.

We agree with the Department of Revenue's estimate of cost but, again because of the uncertainty of when the federal authorization might occur, we cannot identify in which fiscal year the cost will be incurred.

State Agency Estimate

State Agency Name: Department of Revenue		Date Due LFA: 3/16/2015			
Approved by: Len Sloup		Date Prepared: 3/12/2015			
		Phone: 471-5896			
<u>FY 2015-2016</u>		<u>FY 2016-2017</u>		<u>FY 2017-2018</u>	
<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>
General Funds	\$41,202	See Below		\$46,066	See Below
Cash Funds		See Below			See Below
Federal Funds					
Other Funds					
Total Funds	\$41,202	See Below		\$46,066	See Below

LB 613 requires the Department of Revenue (Department) to determine the amount of additional state sales tax revenue collected during the first twelve months following the date the federal government passes a law that expands the state’s authority to require out-of-state retailers to collect and remit sales tax imposed on purchases by Nebraska residents. The certification must be sent to the Governor, Legislature, and State Treasurer.

Fifty percent of the additional state sales tax revenue collected pursuant to a federal authorization of remote collection authority would be used to lower the individual income tax rates for the following tax year. The rates would then return to the current level the next following year. The rate reductions for each bracket are to be in proportion to the income tax revenue attributable to each bracket. The remaining 50% of the additional state sales tax collected pursuant to a federal authorization will be credited to the Property Tax Credit Cash Fund.

The Department estimates that enactment of federal authorization for remote sales collection authority could increase Nebraska’s sales tax receipts by \$45 to \$60 million annually. Assuming the federal legislation passes this year and the Department starts to collect additional sales tax beginning January 1 2016, LB 613 will result in: part of the increased sales tax revenue in FY 2015-16; an entire year of increased state sales tax revenue for 2016-17, split evenly between the General Fund and the Property Tax Credit Cash Fund; nothing for the Property Tax Credit Cash Fund and only half of the increased state sales tax revenue for FY 2017-18 due to the individual income tax rate reductions; and the full increase in state sales tax revenues for FY 2018-19 and beyond. Given this assumption, LB 613 would have the following impact to the General Fund and Cash Fund:

	General Fund	Property Tax Credit Cash Fund
FY 15-16	\$18 - \$25 Million	\$ -
FY 16-17	\$22.5 - \$30 Million	\$22.5 - \$30 Million
FY 17-18	\$22.5 - \$30 Million	\$ -
FY 18-19	\$45 - \$60 Million	\$ -

LB 613 would require programming charge paid to the OCIO of \$41,202 to make changes to Form 10 in FY15-16; \$46,066 in FY16-17 to make changes to Form 1040N to reflect the lower individual income tax rate; and \$46,066 in FY 17-18 to make changes to Form 1040N to reflect the reversal of the lower individual income tax rate.

Major Objects of Expenditure

<u>Class Code</u>	<u>Classification Title</u>	<u>15-16</u>	<u>16-17</u>	<u>17-18</u>	<u>15-16</u>	<u>16-17</u>	<u>17-18</u>
		<u>FTE</u>	<u>FTE</u>	<u>FTE</u>	<u>Expenditures</u>	<u>Expenditures</u>	<u>Expenditures</u>
Benefits.....							
Operating Costs.....					\$41,202	\$46,066	\$46,066
Capital Outlay.....							
Aid.....							
Capital Improvements.....							
Total.....					\$41,202	\$46,066	\$46,066