

**FISCAL NOTE**  
 LEGISLATIVE FISCAL ANALYST ESTIMATE

| <b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES</b> (See narrative for political subdivision estimates) |                   |             |                   |               |
|---|-------------------|-------------|-------------------|---------------|
|   | <b>FY 2016-17</b> |             | <b>FY 2017-18</b> |               |
|   | EXPENDITURES      | REVENUE     | EXPENDITURES      | REVENUE       |
| GENERAL FUNDS   |                   | (\$866,000) |                   | (\$1,353,000) |
| CASH FUNDS  |                   | (\$31,000)  |                   | (\$55,000)    |
| FEDERAL FUNDS   |                   |             |                   |               |
| OTHER FUNDS   |                   |             |                   |               |
| <b>TOTAL FUNDS</b>  |                   | (\$897,000) |                   | (\$1,408,000) |

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

LB 1047 amends the Nebraska Revenue Act of 1967 Section 77-2704.13 regarding the exemption from sales and use taxes of energy sources or fuels.

The bill provides that “processing” includes the drying, aerating, blending, cleaning, and sorting of grain in commercial agricultural facilities.

Current statute provides for an exemption from sales and use taxes for sales and purchases of energy sources or fuel when more than fifty percent of the amount purchased is for use directly in processing, manufacturing, or refining, in the generation of electricity, in the compression of natural gas for retail sale as a vehicle fuel, or by any hospital.

The bill has an operative date of October 1, 2016.

The Department of Revenue estimates the following fiscal impact as a result of LB 1047:

| Fiscal Year: | General Fund:  | State Highway Capital Improvement Fund: | Highway Allocation Fund: (Local) | Total:         |
|--------------|----------------|---|----------------------------------|----------------|
| 2016-17:     | (\$ 866,000)   | (\$ 31,000)                             | (\$ 5,000)                       | (\$ 902,000)   |
| 2017-18:     | (\$ 1,353,000) | (\$ 55,000)                             | (\$ 10,000)                      | (\$ 1,418,000) |
| 2018-19:     | (\$ 1,397,000) | (\$ 57,000)                             | (\$ 10,000)                      | (\$ 1,464,000) |

The Department indicates the cost to implement LB 1047 will be minimal.

We have no basis to disagree with the Department of Revenue’s estimate of fiscal impact or cost.

**IMPACT TO POLITICAL SUBDIVISIONS:**

The fiscal impact to the Highway Allocation Fund is as follows:

|            |             |
|------------|-------------|
| FY2016-17: | (\$ 5,000)  |
| FY2017-18: | (\$ 10,000) |
| FY2018-19: | (\$ 10,000) |

| <b>ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY &amp; POLT. SUB. RESPONSES</b> |                 |                                    |
|---|-----------------|------------------------------------|
| LB: 1047  | AM:             | AGENCY/POLT. SUB: Dept. of Revenue |
| REVIEWED BY: Lyn Heaton   | DATE: 2/18/2016 | PHONE: 471-4181                    |
| COMMENTS: No basis upon which to disagree with the Department of Revenue’s analysis.              |                 |                                    |

State Agency Estimate

State Agency Name: Department of Revenue Date Due LFA: 2/18/2016
Approved by: Tony Fulton Date Prepared: 2/17/2016 Phone: 471-5896

Table with columns for FY 2016-2017, FY 2017-2018, and FY 2018-2019. Sub-columns for Expenditures and Revenue. Rows include General Funds, Cash Funds, Federal Funds, Other Funds, and Total Funds.

LB 1047 would amend Neb. Rev. Stat. § 77-2704.13, which currently provides a sales tax exemption for energy purchases where more than 50% of the energy is used for irrigation, farming, processing, manufacturing, refining, generating electricity, compressing natural gas for vehicle fuel, or by any hospital.

It is estimated that LB 1047 would reduce revenue to the following funds by the amounts below:

Table with 5 columns: Fiscal Year, General Fund, State Highway Capital Improvement Fund, Highway Allocation Fund, Total. Rows for 2016-17, 2017-18, and 2018-19.

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

Major Objects of Expenditure

Table with 8 columns: Class Code, Classification Title, 16-17 FTE, 17-18 FTE, 18-19 FTE, 16-17 Expenditures, 17-18 Expenditures, 18-19 Expenditures. Rows include Benefits, Operating Costs, Travel, Capital Outlay, Aid, Capital Improvements, and Total.