

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2016-17		FY 2017-18	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS		(\$765,000)		(\$1,065,000)
CASH FUNDS		(\$21,250)		(\$21,250)
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS		(\$786,250)		(\$1,086,250)

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

LB 1104 would provide for certain tax exemptions for qualified businesses, place language in statute regarding the tax status of Indian tribes, provide for a revenue-sharing agreement, and change the scoring system for low-income housing tax credits.

For tax years beginning and after January 1, 2017, and qualified business located in a special economic impact zone shall be exempt from state income taxes.

A “qualified business” means any corporation, partnership, limited liability company, sole proprietorship, or other business entity that is subject to Nebraska income taxes or sales and use taxes.

A “special economic impact zone” means any reservation, as such term is defined in Section 43-1503, that is located in Nebraska.

Beginning January 1, 2017, qualified businesses, as a group, shall be exempt from Nebraska sales and use taxes for the first \$10,000,000 of taxable purchases made by qualified businesses each calendar year.

LB 1104 also provides that any qualified business receiving tax incentive under the Nebraska Advantage Act is also eligible for the exemptions provided by LB 1104. In addition, businesses cannot relocate from another part of the state to a reservation to qualify for these tax exemptions.

The bill also states intent to clarify the tax treatment of Indian tribes regarding the payment of Nebraska sales and use taxes, income taxes, and property taxes.

LB 1104 also provides for a revenue-sharing agreement between an Indian tribe and the Department of Revenue if the tribe meets certain conditions set out in the bill. If there is such an agreement, the tribal tax is to be equal to or less than the state sales and use taxes, shall be imposed on both members and nonmembers of the tribe, and 20% of the tribal tax shall be shared with the state.

The bill also requires the Nebraska Investment Finance Authority, when allocating any federal low-income housing tax credits, to give a 2% scoring bonus to any project located in a special economic impact zone.

Finally, the bill amends Section 85-1517 to provide that if a community college area includes a reservation, then the board of such community college shall remit 15% of the property taxes collected on the taxable real property on such reservation to the tribally controlled community colleges in the state, with the amount split among the tribal community colleges. NOTE: The bill does not specify the basis of how the money is to be split between the tribal colleges.

The Department of Revenue estimates the following fiscal impact of LB 1104:

Fiscal Year:	General Fund Income Tax:	General Fund Sales Tax:	General Fund Total:	State Highway Capital Improvement Fund:	Highway Allocation Fund: (Local)	Cash Fund Total:
2016-17:	(\$ 240,000)	(\$ 525,000)	(\$ 765,000)	(\$ 21,250)	(\$ 3,750)	(\$ 25,000)
2017-18:	(\$ 540,000)	(\$ 525,000)	(\$ 1,065,000)	(\$ 21,250)	(\$ 3,750)	(\$ 25,000)
2018-19:	(\$ 600,000)	(\$ 525,000)	(\$ 1,125,000)	(\$ 21,250)	(\$ 3,750)	(\$ 25,000)

The Department of Revenue noted that as the bill is written it does not restrict the \$10 million of taxable sales exemption to qualified businesses on an Indian reservation, the sales tax impact would be statewide and unchanging.

The Department of Revenue indicates the cost to implement the provisions of LB 1104 will be minimal.

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

The Nebraska Community College Association (NCCA) indicates that LB 1104 will result in a loss of revenue for Northeast Community College but they are unable to specify an amount because of the inability to identify the exact properties that would be involved.

We agree with the NCCA that LB 1104 will result in an unidentified loss of revenue for Northeast Community College.

IMPACT TO POLITICAL SUBDIVISIONS:

The Department of Revenue estimates the following fiscal impact to the Highway Allocation Fund:

FY2016-17: (\$ 3,750)
FY2017-18: (\$ 3,750)
FY2018-19: (\$ 3,750)

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

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES			
LB: 1104	AM:	AGENCY/POLT. SUB: Nebraska Department of Revenue	
REVIEWED BY: Lee Will		DATE: 2/17/2016	PHONE: 471-4175
COMMENTS: No basis to disagree with the Nebraska Department of Revenue's assessment of fiscal impact.			

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES			
LB: 1104	AM:	AGENCY/POLT. SUB: Nebraska Community College Association	
REVIEWED BY: Lee Will		DATE: 2/9/2016	PHONE: 471-4175
COMMENTS: No basis to disagree with the Nebraska Community College Association's assessment of fiscal impact.			

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES			
LB: 1104	AM:	AGENCY/POLT. SUB: Nebraska Investment Finance Authority	
REVIEWED BY: Lee Will		DATE: 1/29/2016	PHONE: 471-4175
COMMENTS: I concur with the Nebraska Investment Finance Authority's statement of no fiscal impact.			

State Agency Estimate

State Agency Name: Department of Revenue		Date Due LFA: 2/16/2016				
Approved by: Tony Fulton		Date Prepared: 2/16/2016				
		Phone: 471-5896				
	FY 2016-2017		FY 2017-2018		FY 2018-2019	
	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>
General Funds		(\$ 765,000)		(\$ 1,065,000)		(\$ 1,125,000)
Cash Funds		(\$ 25,000)		(\$ 25,000)		(\$ 25,000)
Federal Funds						
Other Funds						
Total Funds		(\$ 790,000)		(\$ 1,090,000)		(\$ 1,150,000)

LB 1104 provides two exemptions from tax. First, any qualified business (defined to be any corporation, partnership, limited liability company, sole proprietorship, or other business entity subject to income taxes or sales and use taxes) that operates in a “special economic impact zone” (defined as an Indian reservation as such term is defined in Neb. Rev. Stat. § 43-1503) is exempt from income taxes, for tax years beginning on or after January 1, 2017. Second, beginning January 1, 2017 qualified businesses, as a group, are exempt from sales and use taxes for the first \$10 million of taxable purchases. Any qualified business receiving tax incentives under the Nebraska Advantage Act is also eligible for these two exemptions. Businesses cannot relocate from one part of the state to a reservation to qualify for the tax exemptions.

Section 3 states that it is the intent of the Legislature to clarify taxation treatment of Indian Tribes.

Section 4 requires the Department of Revenue to enter into a revenue-sharing agreement with an Indian Tribe if the Tribe’s proposed agreement imposes a tribal tax that is equal to or less than the state sales and use taxes, the tax is imposed on both members and nonmembers of the Tribe, and 20% of the tribal tax is shared with the State of Nebraska.

Sections 5 and 6 provide that the Nebraska Investment Finance Authority is to give a bonus under its scoring system for federal low-interest housing tax credits for projects on an Indian reservation. Section 7 amends Neb. Rev. Stat. § 85-1517 to require a community college that is located on an Indian reservation to remit 15% of the property taxes collected on real property within the Indian reservation to the tribally controlled community colleges in the state. The amount remitted will be split equally among the tribally controlled community colleges.

There are approximately 70 businesses located on Indian reservations which are currently paying corporate income tax to Nebraska. Additionally, there are approximately 150 non-native farmers located on Indian reservations who are currently reporting and paying income tax to Nebraska. The income tax estimate below is based upon these existing businesses. No estimate has been made for businesses which may locate one or more of their operations on an Indian reservation as a result of this bill.

Because the bill as written does not restrict the \$10 million of taxable sales exemption to qualified businesses on an Indian reservation, the sales tax impact would be statewide and unchanging.

Please complete ALL (5) blanks in the first three lines.

2016

LB⁽¹⁾ 1104

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾

Nebraska Community College Association

Prepared by: ⁽³⁾ Dennis Baack

Date Prepared: ⁽⁴⁾ February 8, 2016

Phone: ⁽⁵⁾ 402-471-4685

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2016-17</u>		<u>FY 2017-18</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	=====	=====	=====	=====

Explanation of Estimate:

There would be a loss of revenue for Northeast Community College but the amount is not known due to the inability of Northeast to identify the exact properties involved.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2016-17 EXPENDITURES</u>	<u>2017-18 EXPENDITURES</u>
	<u>16-17</u>	<u>17-18</u>		
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____

Please complete ALL (5) blanks in the first three lines.

2016

LB⁽¹⁾ 1104

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾

Nebraska Investment Finance Authority

Prepared by: ⁽³⁾ Christie Weston

Date Prepared: ⁽⁴⁾ 1/29/16

Phone: ⁽⁵⁾ 402-434-3900

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2016-17</u>		<u>FY 2017-18</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	=====	=====	=====	=====

Explanation of Estimate:

No Fiscal Impact

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2016-17</u>	<u>2017-18</u>
	<u>16-17</u>	<u>17-18</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____