LB 361

Revision: 00 FISCAL NOTE LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)								
	FY 201	7-18	FY 20	18-19				
	EXPENDITURES	REVENUE	EXPENDITURES REVENUE					
GENERAL FUNDS	\$66,986	(\$1,227,000)	\$0	(\$1,256,000)				
CASH FUNDS		(\$50,000)		(\$51,000)				
FEDERAL FUNDS								
OTHER FUNDS								
TOTAL FUNDS	\$66,986	(\$1,277,000)	\$0	(\$1,307,000)				

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

LB 361 amends the Nebraska Revenue Act of 1967 Section 77-2701 and 77-2701.04 to create a sales and use tax exemption.

The bill creates a sales tax holiday beginning at 12:01 a.m. on the first Friday in August running to 11:59 p.m. the following Saturday.

Exempt items include the following:

- Clothing with a sales price of \$100 or less per item;
- Footwear with a sales price of \$150 or less per item;

The bill also contains a number of exclusions from the exemption, including the following:

- Clothing accessories or equipment;
- Protective equipment;
- Sport or recreational equipment;
- School instructional material;
- Any item for use in a trade or business;
- > The sale of any item in a theme park, entertainment complex, public lodging establishment, or airport;
- The lease or rental of any item.

The bill also provides reporting requirements for retailers; specific requirements regarding layaway items, delivery charges, returns, exchanges; and a 60-day reporting period following the exemption period.

The bill has an operative date of July 1, 2017 and contains the emergency clause.

The Department of Revenue has estimated that LB 361 would reduce revenue to the following funds as indicated below:

		State Highway Capital	Highway Allocation	
Fiscal Year:	General Fund:	Improvement Fund:	Fund: (Local)	Total:
2017-18:	(\$ 1,227,000)	(\$ 50,000)	(\$ 9,000)	(\$ 1,286,000)
2018-19:	(\$ 1,256,000)	(\$ 51,000)	(\$ 9,000)	(\$ 1,316,000)
2019-20:	(\$ 1,289,000)	(\$ 52,000)	(\$ 9,000)	(\$ 1,350,000)
2020-21:	(\$ 1,323,000)	(\$ 54,000)	(\$ 9,000)	(\$ 1,386,000)

The Department indicates the cost to implement the provisions of LB 361 will include \$66,986 for a development costs paid to the Office of the CIO.

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

IMPACT TO POLITICAL SUBDIVISIONS:

The impact to the Highway Allocation Fund is as follows:

FY2017-18:	(\$ 9,000)
FY2018-19:	(\$ 9,000)
FY2019-20:	(\$ 9,000)
FY2020-21:	(\$ 9,000)

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE							
LB: 361 AM: AGENCY/POLT. SUB: Department of Revenue							
REVIEWED	BY: Lyn Heaton	DATE: 3/15/2017	PHONE: (402) 471-4181				
COMMENTS: No basis upon which to disagree with the Dept. of Revenue's analysis given their assumptions (provided in a follow-up conversation).							

Fiscal Note 2017

State Agency Estimate								
State Agency Name: Department of Revenue Date Due LFA: 3/15/201								
Approved by: Tony Fulton		Date Prepared:	3/13/2017		Phone: 471-5896			
FY 2017-2018		-2018	FY 2018-2019		FY 2019-2020			
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue		
General Funds	\$66,986	(\$1,227,000)		(\$1,256,000)		(\$1,289,000)		
Cash Funds		(\$50,000)		(\$51,000)		(\$52,000)		
Federal Funds								
Other Funds		(\$9,000)		(\$9,000)		(\$9,000)		
Total Funds	\$66,986	(\$1,286,000)		(\$1,316,000)		(\$1,350,000)		

LB 361 creates a sales tax holiday for certain clothing with a sales price of \$100 or less per item and certain footwear with a sales price of \$150 or less per item on the first Friday of August and the following Saturday. LB 361 requires each retailer to report the amount of sales during this period on its sales and use tax return.

LB 361 is expected to reduce revenue to the funds listed below by the following amounts:

Fiscal Year	General Fund	State Highway Capital	Highway Allocation Fund	Total	
		Improvement Fund			
2017-2018	\$ 1,227,000	\$ 50,000	\$ 9,000	\$	1,286,000
2018-2019	\$ 1,256,000	\$ 51,000	\$ 9,000	\$	1,316,000
2019-2020	\$ 1,289,000	\$ 52,000	\$ 9,000	\$	1,350,000
2020-2021	\$ 1,323,000	\$ 54,000	\$ 9,000	\$	1,386,000

The bill will require a one-time charge of \$66,986 for development costs paid to OCIO.

LB 361 would become operative on July 1, 2017.

Major Objects of Expenditure									
		17-18	18-19	19-20	17-18	18-19	19-20		
Class Code	Classification Title	<u>FTE</u>	<u>FTE</u>	<u>FTE</u>	Expenditures	Expenditures	Expenditures		
Benefits									
Operating Costs					\$66,986				
Travel									
Capital Outlay									
Aid									
Capital Improvements									
Capital Improvements Total					\$66,986				