

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2018-19		FY 2019-20	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS		See Below		See Below
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS		See Below		See Below

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

LB 907 amends Nebraska Revised Statutes Section 77-2704.36 regarding the sales and use tax exemption for the purchase of agricultural machinery and equipment.

The bill inserts new language whose intent is to broaden the definition of agricultural machinery and equipment.

The bill has an operative date of October 1, 2018.

The Department of Revenue has indicated that the only change from the current regulation, 316 Nebraska Administrative Code, Chapter 1, Section 094.01A, would be the addition of “protecting the health and welfare of animal life or collecting or processing an agricultural product, regardless of the degree of attachment to real property.”

Because LB 907 does not change the taxation of fixtures and maintains that the exemption is limited to personal property, it appears that LB 907 as drafted will have no fiscal impact. If the bill were amended to exempt certain building improvement (for example, ventilation systems or walls) related to the livestock industry, as appears to have been the intent, the fiscal impact to the General Fund would be as follows:

FY2018-19: (\$ 6,052,000)
 FY2019-20: (\$ 9,488,000)
 FY2020-21: (\$ 9,847,000)

The Department of Revenue indicates minimal costs to implement the provisions of LB 907.

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

State Agency Estimate

State Agency Name: Department of Revenue Date Due LFA: 1/31/2018
Approved by: Tony Fulton Date Prepared: 1/30/2018 Phone: 471-5896

	FY 2018-2019		FY 2019-2020		FY 2020-2021	
	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>
General Funds		See Below		See Below		See Below
Cash Funds						
Federal Funds						
Other Funds						
Total Funds		See Below		See Below		See Below

LB 907 would amend Neb. Rev. Stat. § 77-2704.36, the sales tax exemption for sales and leases of agricultural machinery and equipment, by defining agricultural machinery and equipment to mean tangible personal property used directly in cultivating or harvesting a crop, raising or caring for animal life, protecting the health and welfare of animal life or collecting or processing an agricultural product, regardless of the degree of attachment to real property. The only change from the current regulation, 316 Neb. Admin. Code, Ch. 1, § 094.01A, would be the addition of “protecting the health and welfare of animal life” and “regardless of the degree of attachment to real property.”

LB 907 would be operative October 1, 2018.

Because LB 907 does not change the taxation of fixtures and maintains that the exemption is limited to personal property, it appears that LB 907 as drafted will have no fiscal impact. If the bill were amended to exempt building improvements (for example, ventilation systems or walls) related to the livestock industry, the fiscal impact would be as follows:

Fiscal Year	General Fund
2018-2019	(\$6,052,000)
2019-2020	(\$9,488,000)
2020-2021	(\$9,847,000)

It is estimated that there will be minimal costs to the Department to implement this bill.

Major Objects of Expenditure

<u>Class Code</u>	<u>Classification Title</u>	<u>18-19</u> <u>FTE</u>	<u>19-20</u> <u>FTE</u>	<u>20-21</u> <u>FTE</u>	<u>18-19</u> <u>Expenditures</u>	<u>19-20</u> <u>Expenditures</u>	<u>20-21</u> <u>Expenditures</u>
Benefits.....							
Operating Costs.....							
Travel.....							
Capital Outlay.....							
Capital Improvements.....							
Total.....							