

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		\$93,689,000		\$97,581,000
CASH FUNDS		\$13,025,667		\$14,523,000
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS		\$106,714,667		\$112,104,000

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

LB 1117 amends Nebraska Revised Statutes Sections 77-2602 and 77-4008, regarding the cigarette tax and the tax on snuff and other tobacco products.

Section 77-2602 is amended to increase the tax on cigarettes from the current rate of .64 cents per pack, to \$2.14 per pack, as of the effective date of the act. An increase of \$1.50 per pack.

The equivalent of an additional \$1.50 of the cigarette tax is to be placed in the General Fund, for a total of \$1.99 now to go to the General Fund, beginning July 1, 2018.

Also beginning July 1, 2018 an additional \$1,250,000, for a total of \$2,500,000, is to be placed in the Nebraska Health Care Cash Fund. Current language requires a reduction to the amount allocated to the General Fund by the amount required to fulfill the distribution to the Cash Fund.

Section 77-4008 is amended to increase the tax on snuff to \$1.00 per ounce from the current rate of .44 cents per ounce.

This section is also amended to increase the tax on tobacco products other than snuff from the current rate of 20% to 45% of the purchase price paid by the first owner or the price at which the first owner who made, manufactured, or fabricated the tobacco product sells it to others.

The bill contains the emergency clause.

The Department of Revenue has estimated the following fiscal impact of LB 1117:

Table 1: Revenue Impact of Cigarette Tax and Tobacco Products Tax

Fiscal Year:	General Fund Impact:	Nebraska Health Care Cash Fund Impact:	Tobacco Products Administration Cash Fund Impact:
2018-19:	\$ 88,551,000	\$ 1,250,000	\$ 11,568,667
2019-20:	\$ 92,188,000	\$ 1,250,000	\$ 13,055,000
2020-21:	\$ 88,445,000	\$ 1,250,000	\$ 13,484,000
2021-22:	\$ 84,839,000	\$ 1,250,000	\$ 13,928,000

Table 2: Revenue Impact of Sales Tax Collections on Cigarette and Tobacco Products:

Fiscal Year:	General Fund:	State Highway Capital Improvement Cash Fund:	Highway Allocation Cash Fund (Local):	Total:
2018-19:	\$ 5,138,000	\$ 189,000	\$ 33,000	\$ 5,360,000
2019-20:	\$ 5,393,000	\$ 218,000	\$ 39,000	\$ 5,650,000
2020-21:	\$ 5,214,000	\$ 211,000	\$ 37,000	\$ 5,462,000
2021-22:	\$ 5,041,000	\$ 204,000	\$ 36,000	\$ 5,281,000

The Department of Revenue indicates minimal cost to implement the provisions of LB 1117.

We agree with the Department of Revenue's estimate of fiscal impact and cost for the fiscal years noted above.

TECHNICAL NOTE:

Because the bill contains the emergency clause and would, therefore, become effective upon passage and approval, technically the increase in the tax rates, as amended by the bill in Section 77-2602 (1), would go into effect at that point, which is FY2017-18. The new distributions to the General Fund and Cash Fund do not begin until July 1, 2018, which is FY2018-19. The new tax rate would have FY2017-18 impact for at least two months. This would include the increase in cigarette tax, snuff tax, other tobacco products tax, and an increase in sales tax revenue. Therefore, while we agree with the Department of Revenue's estimate of fiscal impact beginning with FY2018-19 and thereafter, the Legislative Fiscal Office estimates the following fiscal impact for FY2017-18:

Table 3: FY2017-18 Fiscal Impact

Fiscal Year:	General Fund (Cigarette Tax):	Tobacco Products Administration Cash Fund:	General Fund (Sales Tax):	State Highway Capital Improvement Cash Fund:	Highway Allocation Cash Fund (Local):
2017-18:	\$ 14,950,000	\$ 1,925,000	\$ 928,125	\$ 32,500	\$ 5,600

IMPACT TO POLITICAL SUBDIVISIONS:

There will be an indeterminate positive impact to local option sales taxes as a result of LB 1117.

In addition, there is the following fiscal impact to the Highway Allocation Fund:

FY2017-18:	\$ 5,600
FY2018-19:	\$33,000
FY2019-20:	\$39,000
FY2020-21:	\$37,000
FY2021-22:	\$36,000

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE

LB: 1117	AM:	AGENCY/POLT. SUB: Dept. of Revenue	
REVIEWED BY: Lyn Heaton	DATE: 2/13/2018	PHONE: (402) 471-4181	
COMMENTS: No basis upon which to disagree with the Department of Revenue's analysis.			

