Douglas Gibbs February 12, 2018 402-471-0051

# LB 1117

## Revision: 00 FISCAL NOTE LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)							
	FY 201	18-19	FY 20	19-20			
	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:

		State Highway Capital		
		Improvement Cash	Highway Allocation	
Fiscal Year:	General Fund:	Fund:	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

				State Highway	
		Tobacco Products		Capital	
	General Fund	Administration Cash	General Fund	Improvement Cash	Highway Allocation
Fiscal Year:	(Cigarette Tax):	Fund:	(Sales Tax):	Fund:	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 B	REVIEWED BY: Lyn Heaton DATE: 2/13/2018 PHONE: (402) 471-4181					
COMMENTS:	COMMENTS: No basis upon which to disagree with the Department of Revenue's analysis.					

### Fiscal Note 2018

State Agency Estimate							
State Agency Name: Department	t of Revenue				Date Due LFA:	2/13/2018	
Approved by: Tony Fulton		Date Prepared:	2/12/2018		Phone: 471-5896		
	FY 201	8-2019	FY 201	9-2020	FY 20	20-2021	
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue	
General Funds		\$93,689,000		\$97,581,000		\$93,659,000	
Cash Funds		\$13,025,667		\$14,523,000		\$14,945,000	
Federal Funds							
Other Funds		\$33,000		\$39,000		\$37,000	
Total Funds		\$106,748,000		\$112,143,000		\$108,641,000	
i otai i unus		\$100,748,000		φ112,143,000		\$106,041,	

LB 1117 would amend the Nebraska Cigarette Tax, Neb. Rev. Stat. § 77-2602, to increase the tax by \$1.50 per pack, from 64 cents to \$2.14, beginning July 1, 2018. The entire increase is for the General Fund portion, but the bill also calls for increasing the amount for the Health Care Cash Fund from \$1.25 million to \$2.5 million beginning July 1, 2018.

LB 1117 would also increase the tobacco products tax, Neb. Rev. Stat. § 77-4008, from 44 cents per ounce on snuff to one dollar, and from 20% of the purchase price on other tobacco products to 45%. The bill bears the emergency clause.

The Department estimates the following revenue impact associated with the cigarette tax and tobacco products tax changes in LB 1117:

Fiscal Year	General Fund	Nebraska Health Care Cash Fund	Tobacco Products Administration Cash Fund
FY 2018-19	\$88,551,000	\$1,250,000	\$11,586,667
FY 2019-20	\$92,188,000	\$1,250,000	\$13,055,000
FY 2020-21	\$88,445,000	\$1,250,000	\$13,484,000
FY 2021-22	\$84,839,000	\$1,250,000	\$13,928,000

The Department estimates the following revenue impact associated with sales tax collections on higher-priced cigarette and tobacco products:

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

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

Major Objects of Expenditure								
<u>Class Code</u>	<b><u>Classification Title</u></b>	18-19 <u>FTE</u>	19-20 <u>FTE</u>	20-21 <u>FTE</u>	18-19 <u>Expenditures</u>	19-20 <u>Expenditures</u>	20-21 <u>Expenditures</u>	
Benefits								
Operating Costs								
Travel	Travel							
Capital Outlay								
	nts							
	Total							