

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2019-20		FY 2020-21	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$179,900	(\$4,152,000)	\$174,200	(\$10,464,000)
CASH FUNDS		\$98,874,000		\$239,102,000
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$179,900	\$94,722,000	\$174,200	\$228,638,000

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

LB 507 amends the Nebraska Revenue Act of 1967 related to sales and use tax. The bill changes the definition of gross receipts to include the following services:

- Motor vehicle detailing;
- Motor vehicle repair and maintenance;
- Pet related services including:
 - Veterinarians,
 - Specialty livestock services, and
 - Animal grooming performed in conjunction with medical treatment;
- Cleaning tangible personal property;
- Storage and moving services;
- Investment advice;
- Personal care services including:
 - Hair care,
 - Nail services,
 - Spa services, and
 - Tattoo services;
- Maintenance, painting, repair, and interior decoration services for single family housing;
- Limousine, taxi, ride-sharing, and other transportation services;
- Travel agent services and tour operators;
- Lawn care, gardening, and landscaping services;
- Parking services;
- Swimming pool cleaning and maintenance;
- Dating and escort services;
- Instruction in music, dance, golf, and other recreational activities;
- Custom meat slaughtering services;
- Legal services, except legal services for a for-profit business enterprise;
- Accounting and tax preparation services, except accounting and tax preparation for a for-profit business enterprise;
- Tanning services;
- Architectural services for single family housing;
- Telefloral delivery services;
- Contractor labor for construction on owner occupied residential housing;
- Wedding planning services;
- Shoe-shining services;
- Weight loss services;
- Personal training services;
- Massage services, except when prescribed by a licensed health care professional;
- Interior design services;
- Clothing alteration services; and
- Plumbing services.

The bill also removes exemptions for the following:

- Candy, soft drinks, and bottled water;

- Prepared food sold by fraternities, sororities, dormitories, boarding houses, retirement communities, and other facilities where food is provided as part of the occupancy agreement;
- Prepared food and food sold by public or private schools, school districts, student organizations, or parent teacher associations during the school day or at a school function;
- Fees and admissions for:
 - Political events,
 - Public or private school events,
 - Activities provided by nonprofit organizations conducting sports events; and
 - Activities provided by a nonprofit affiliated with a national organization offering sports leagues or events in multiple sports.
- Leased property sold to a lessee under a rent-to-own agreement;
- Coin-operated laundry;
- State lottery tickets;
- Prepaid calling or wireless service;
- Construction services;
- Purchases of property or fine art by a museum;
- Purchases of items for display by a historic automobile museum;
- Currency or bullion; and
- Membership or admission to or purchases by zoos or aquariums.

The bill requires the Tax Commissioner to annually determine the amount of the net increase in state tax revenue received as a result of the bill, and this amount is credited to the Property Tax Credit Cash Fund. The bill also amends provisions related to the requirements of the tax expenditure report. The bill is operative January 1, 2020.

Technical Note: Removing the sales tax exemption for lottery ticket purchases could raise constitutional issues regarding the distribution of proceeds from the lottery and violate provisions of the Multi-state lottery compact.

Revenue:

The Department of Revenue estimates the following revenue to the Property Tax Credit Fund, the State Highway Capital Improvement Fund, the Highway Allocation Fund, and the General Fund:

Fiscal Year	Property Tax Credit Cash Fund	State Highway Capital Improvement Fund	Highway Allocation Fund	General Fund
2019-20	\$91,345,000	\$3,529,000	\$623,000	(\$4,152,000)
2020-21	\$230,208,000	\$8,894,000	\$1,570,000	(\$10,464,000)
2021-22	\$241,286,000	\$9,322,000	\$1,645,000	(\$10,967,000)
2022-23	\$252,616,000	\$9,760,000	\$1,722,000	(\$11,482,000)

The estimate of revenue credited to the Property Tax Credit Cash Fund seems reasonable based upon available data. In addition, we agree with the department regarding the transfer from the General Fund to the State Highway Capital Improvement Fund and Highway Allocation Fund required under current law.

Expenditures:

The Department of Revenue estimates administrative costs for 1.0 FTE Tax Specialist and 2.0 FTE Revenue Agents for a total cost of \$179,900 in FY 19-20 and \$174,200 in FY 20-21 to implement the bill. There is no basis to disagree with this estimate.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB: 507	AM:	AGENCY/POLT. SUB: Nebraska State College System	
REVIEWED BY: Lee Will	DATE: 2/11/2019	PHONE: (402) 471-4175	
COMMENTS: The Nebraska State College's statement of fiscal impact seems reasonable given the assumptions used.			

State Agency Estimate

State Agency Name: Department of Revenue		Date Due LFA: 2/26/19				
Approved by: Tony Fulton		Date Prepared: 2/25/19				
		Phone: 471-5896				
	FY 2019-2020		FY 2020-2021		FY 2021-2022	
	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>
General Funds	\$179,900	(\$4,152,000)	\$174,200	(\$10,464,000)	\$170,700	(\$10,967,000)
Cash Funds		\$94,874,000		\$239,102,000		\$250,608,000
Federal Funds						
Other Funds		\$623,000		\$1,570,000		\$1,645,000
Total Funds	\$179,900	\$91,345,000	\$174,200	\$230,208,000	\$170,700	\$241,286,000

LB 507 adds to Neb. Rev. Stat. § 77-2701.16, the definition of gross receipts:

1. Motor vehicle detailing;
2. Motor vehicle repair and maintenance;
3. Pet related services including:
 - a. Veterinarians,
 - b. Specialty livestock services, and
 - c. Animal grooming performed in conjunction with medical treatment;
4. Cleaning tangible personal property;
5. Storage and moving services;
6. Investment advice;
7. Personal care services including:
 - a. Hair care,
 - b. Nail services,
 - c. Spa services, and
 - d. Tattoo services;
8. Maintenance, painting, repair, and interior decoration services for single family housing;
9. Limousine, taxi, ride-sharing, and other transportation services;
10. Travel agent services and tour operators;
11. Lawn care, gardening, and landscaping services;
12. Parking services;
13. Swimming pool cleaning and maintenance;
14. Dating and escort services;
15. Instruction in music, dance, golf, and other recreational activities;
16. Custom meat slaughtering services;
17. Legal services - except for legal services performed in the furtherance of a for-profit business enterprise;
18. Accounting and tax preparation services - except for accounting and tax preparation performed in the furtherance of a for-profit business enterprise;
19. Tanning services;
20. Architectural services for single family housing;
21. Telefloral delivery services;
22. Contractor labor for construction on owner occupied residential housing;
23. Wedding planning services;
24. Shoe-shining services;
25. Weight loss services;
26. Personal training services;
27. Massage services - except when prescribed by a licensed health care professional;
28. Interior design services;
29. Clothing alteration services; and
30. Plumbing services.

LB 507 also removes exemptions for

1. Prepared food and food and food ingredients served by public or private schools;
2. Fees and admissions –
 - a. Charged for political events,
 - b. Charged for school events,
 - c. Charged to participants by a nonprofit conducting statewide sports events,
 - d. Charged to participants in any activity provided by a nonprofit affiliated with a national organization dedicated to youth development that offers multiple sports;
3. Rent-to-Own contracts;
4. Coin Operated laundries;
5. State lottery tickets;
6. Prepaid calling or wireless services;
7. Construction services;
8. Purchases of fine art or property by a museum;
9. Purchases by a historic automobile museum;
10. Currency or bullion;
11. Memberships or admissions to a zoo or aquarium.

The bill removes soft drinks, candy and bottles water from the definition of exempt food or food ingredients.

LB 507 would transfer the entire 5.50 cents of sales tax to the Property Tax Credit Fund. However, current law also requires 0.25 cents out of 5.50 cents to be distributed to the State Highway Capital Improvement Fund and Highway Allocation Fund. Funding this requirement results in a negative impact on the General Fund.

The following schedule provides the estimated fiscal impact:

Fiscal Year	Property Tax Credit Cash Fund	State Highway Capital Improvement Fund	Highway Allocation Fund	General Fund Reduction due to Transfer
2019-20	\$ 91,345,000	\$ 3,529,000	\$ 623,000	\$ 4,152,000
2020-21	\$ 230,208,000	\$ 8,894,000	\$ 1,570,000	\$ 10,464,000
2021-22	\$ 241,286,000	\$ 9,322,000	\$ 1,645,000	\$ 10,967,000
2022-23	\$ 252,616,000	\$ 9,760,000	\$ 1,722,000	\$ 11,482,000

The Department estimates the need for one FTE Tax Specialist and two FTE Revenue Agents for business collections to implement the bill.

The operative date of LB 507 is January 1, 2020.

		Major Objects of Expenditure					
Class Code	Classification Title	19-20	20-21	21-22	19-20	20-21	21-22
		FTE	FTE	FTE	Expenditures	Expenditures	Expenditures
A29621	Revenue Tax Specialist	1.0	1.0	1.0	\$51,800	\$54,700	\$53,600
R29222	Revenue Agent	2.0	2.0	2.0	\$72,200	\$76,300	\$74,700
	Benefits.....				\$40,900	\$43,200	\$42,400
	Operating Costs.....						
	Travel.....						
	Capital Outlay.....				\$15,000	\$0	\$0
	Capital Improvements.....						
	Total.....				\$179,900	\$174,200	\$170,700

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2019

LB⁽¹⁾ 507

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Nebraska State College System (NSCS)

Prepared by: ⁽³⁾ Carolyn Murphy Date Prepared: ⁽⁴⁾ 02/07/2019 Phone: ⁽⁵⁾ 402-471-2505

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2019-20</u>		<u>FY 2020-21</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	<u>Undetermined</u>	_____	<u>Undetermined</u>	_____

Explanation of Estimate:

LB507 would eliminate a sales tax exemption on food service programs provided by Chadron, Peru and Wayne State Colleges to their students. Approximately 2,800 students are participating in the colleges' food service programs during the current academic year (2018-19). These students have paid or will pay an estimated total of \$8.5 million in food service program charges. With the loss of the sales tax exemption under LB507, the students would have an added cost of sales tax totaling about \$600,000 per year based on 2018-19 participation. The sales tax charges would average over \$200 per participating student. This would be an additional charge to each participating student's account. Students would have to determine how to pay the additional charge, or in many cases, students would need to increase the amount of loans taken out. It is difficult to predict at what point an additional financial burden causes a student to stop out of college, therefore it is difficult to predict the fiscal impact to the NSCS.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2019-20</u>	<u>2020-21</u>
	<u>19-20</u>	<u>20-21</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____