

**FISCAL NOTE**  
**LEGISLATIVE FISCAL ANALYST ESTIMATE**

<b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)</b>				
	<b>FY 2019-20</b>		<b>FY 2020-21</b>	
	<b>EXPENDITURES</b>	<b>REVENUE</b>	<b>EXPENDITURES</b>	<b>REVENUE</b>
GENERAL FUNDS	\$179,900	(\$2,054,000)	\$174,200	(\$5,207,000)
CASH FUNDS		\$46,948,000		\$118,983,000
FEDERAL FUNDS				
OTHER FUNDS				
<b>TOTAL FUNDS</b>	<b>\$179,900</b>	<b>\$44,894,000</b>	<b>\$174,200</b>	<b>\$113,776,000</b>

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

LB 508 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 repair and maintenance;
- Pet related services including:
- Cleaning tangible personal property;
- Storage and moving services;
- Investment advice;
- Hair care,
- Maintenance, painting, and repair services for single family housing;
- Limousine, taxi, and other transportation services;
- Plumbing services;
- 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;
- Clothing alteration services;
- Tanning services;
- Telefloral delivery services; and
- Massage services, except when prescribed by a licensed health care professional.

The bill also removes exemptions for the following:

- Candy and soft drinks;
- 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,
  - 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; and
- Prepaid calling or wireless service.

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.

**Revenue:**

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

Fiscal Year	Property Tax Credit Cash Fund	State Highway Capital Improvement Fund	Highway Allocation Fund	General Fund
2019-20	\$46,869,000	\$1,811,000	\$320,000	(\$2,131,000)
2020-21	\$118,557,000	\$4,581,000	\$808,000	(\$5,389,000)
2021-22	\$124,838,000	\$4,823,000	\$851,000	(\$5,674,000)
2022-23	\$131,198,000	\$5,069,000	\$895,000	(\$5,964,000)

The Legislative Fiscal Office disagrees with the department's estimate because it includes revenue attributable to removing the exemption on bottled water. We estimate the following revenue to the Property Tax Credit Fund, the State Highway Capital Improvement Fund, Highway Allocation Fund, and General Fund:

Fiscal Year	Property Tax Credit Cash Fund	State Highway Capital Improvement Fund	Highway Allocation Fund	General Fund
2019-20	\$45,202,000	\$1,746,000	\$308,000	(\$2,054,000)
2020-21	\$114,557,000	\$4,426,000	\$781,000	(\$5,207,000)
2021-22	\$120,838,000	\$4,669,000	\$824,000	(\$5,493,000)
2022-23	\$127,198,000	\$4,914,000	\$867,000	(\$5,781,000)

**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.

**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				
	<b>FY 2019-2020</b>		<b>FY 2020-2021</b>		<b>FY 2021-2022</b>	
	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>
General Funds	\$179,900	(\$2,131,000)	\$174,200	(\$5,389,000)	\$170,700	(\$5,674,000)
Cash Funds		\$48,680,000		\$123,138,000		\$129,661,000
Federal Funds						
Other Funds		\$320,000		\$808,000		\$851,000
Total Funds	\$179,900	\$46,869,000	\$174,200	\$118,557,000	\$170,700	\$124,838,000

LB 508 adds to Neb. Rev. Stat. § 77-2701.16, the definition of gross receipts:

1. All charges received for repair and maintenance labor on motor vehicles;
2. Income received for the cleaning tangible personal property;
3. Storages and moving services;
4. Investment advice;
5. Hair care;
6. Maintenance, painting, repair, and interior decorating services for single family housing;
7. Limousine, taxi ride-sharing and other transportation services;
8. Lawn care, gardening, and landscaping services;
9. Parking services;
10. Swimming pool cleaning and maintenance;
11. Dating and escort services
12. Instruction in music, golf and other recreational activities;
13. Tanning services;
14. Telefloral delivery services;
15. Massage services (except when prescribed by a health care professional);
16. Clothing alteration services;
17. Plumbing services

LB 508 removes the following exemptions:

1. Prepared food and food ingredients served by private and public schools;
2. Meals sold to institutions at a flat rate;
3. Fees and admissions –
  - a. Charged for political events,
  - b. Charged to participants by a nonprofit conducting statewide sports events,
  - c. Charged to participants in any activity provided by a nonprofit affiliated with a national organization, dedicated to youth development that offers multiple sports;
4. Rent-to-own property;
5. Prepaid calling or wireless services.

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

LB 508 has an operative date of January 1, 2020.

LB 508 would credit the entire 5.50 cents of additional sales tax to the Property Tax Credit Fund. This results in a decrease to General Fund revenues because Neb. Rev. Stat. § 77-27,132(2)(c) also requires 0.25 cents of this additional sales tax to be distributed to the State Highway Capital Improvement Fund and Highway Allocation 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 Transfers
2019-20	\$46,869,000	\$1,811,000	\$320,000	\$2,131,000
2020-21	\$118,557,000	\$4,581,000	\$808,000	\$5,389,000
2021-22	\$124,838,000	\$4,823,000	\$851,000	\$5,674,000
2022-23	\$131,198,000	\$5,069,000	\$895,000	\$5,964,000

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

**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.....						
	<b>Total.....</b>				\$179,900	\$174,200	\$170,700