

FISCAL NOTE
 LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2020-21		FY 2021-22	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS		(\$846,000)		(\$1,484,000)
CASH FUNDS		\$21,874,000		\$33,909,000
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS		\$21,028,000		\$32,425,000

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

LB 810 amends the Revenue Act of 1967 to impose sales and use tax on bottled water, candy, and soft drinks. Bottled water, candy, and soft drinks are excluded from the definition of “food and food ingredients,” which is exempt from tax. The bill provides definitions of each, and also provides that the Governor can stay the collection of tax on bottled water for a period of 60 days in any area affected by a disaster, emergency, or civil defense emergency.

LB 810 requires the amount collected as a result of the imposition of the tax to be determined annually by the Tax Commissioner and credited to the Nebraska Health Care Cash Fund.

The operative date of the bill is October 1, 2020.

Revenue:

The Department of Revenue estimates revenue to the General Fund, the Nebraska Health Care Cash Fund, the State Highway Capital Improvement Fund, and Highway Allocation Fund as follows:

Fiscal Year	Nebraska Health Care Cash Fund	State Highway Capital Improvement Fund	Highway Allocation Fund	General Fund
2020-2021	\$21,155,000	\$719,000	\$127,000	(\$846,000)
2021-2022	\$32,648,000	\$1,261,000	\$223,000	(\$1,484,000)
2022-2023	\$33,420,000	\$1,291,000	\$228,000	(\$1,519,000)
2023-2024	\$34,257,000	\$1,324,000	\$234,000	(\$1,558,000)

Because the bill requires the entire amount of the increase in revenue to be credited to the Nebraska Health Care Cash Fund, the amounts required under current law to be credited to the State Highway Capital Improvement Fund and the Highway Allocation Fund result in a General Fund revenue loss. We agree with the department’s estimate that the bill results in a General Fund revenue loss and that the estimates of additional revenue to the applicable cash funds are reasonable based on the data available.

Expenditures:

The department estimates minimal cost 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: 810	AM:	AGENCY/POLT. SUB: Department of Revenue		
REVIEWED BY: Lee Will	DATE: 01/28/2020	PHONE: (402) 471-4175		
COMMENTS: No basis to disagree with the Department of Revenue’s assessment of fiscal impact.				

State Agency Estimate

State Agency Name: Department of Revenue

Date Due LFA:

Approved by: Tony Fulton

Date Prepared:
1/13/20

Phone: 471-5896

	FY 2020-2021		FY 2021-2022		FY 2022-2023	
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue
General Funds	\$0	(\$846,000)	\$0	(\$1,484,000)	\$0	(\$1,519,000)
Cash Funds		\$21,874,000		\$33,909,000		\$34,711,000
Federal Funds						
Other Funds		\$127,000		\$223,000		\$228,000
Total Funds	\$0	\$21,155,000	\$0	\$32,648,000	\$0	\$33,420,000

LB 810 imposes sales and use tax on the sale of bottled water, candy and soft drinks by exempting these items from the definition of nontaxable food and food ingredients. Bottled water is defined as water that is placed in a safety sealed container or package for human consumption. It is calorie free and does not contain sweeteners or other additives. However, it may contain: antimicrobial agents; fluoride; carbonation; vitamins, minerals, and electrolytes; oxygen; preservatives; and only those flavors, extracts, or essences derived from a spice or fruit. It also includes water delivered to a buyer in reusable containers that is not sold with the water. Candy is defined as the preparation of sugar, honey, or other natural or artificial sweeteners in combination with chocolate, fruits, nuts, or other ingredients or flavorings in the form of bars, drops, or pieces. Candy does not include any preparation containing flour or anything that requires refrigeration. Soft drinks are defined as nonalcoholic beverages that contain natural or artificial sweeteners. Soft drinks do not include beverages that contain milk or milk products, soy, rice or similar milk substitutes, or greater than fifty percent of vegetable or fruit juice by volume.

LB 810 allows the Governor to stay the collection of sales and use taxes on bottled water for a period of sixty days in any area of the state affected by a disaster, emergency, or civil defense emergency as defined in § 81-829.39. The amount of the increase in state sales and use tax revenue received due to the imposition of the sales and use tax on bottled water, candy, and soft drinks will be credited to the Nebraska Health Care Cash Fund.

LB 810 would credit the entire 5.50 cents of additional state sales tax revenue to the Nebraska Health Care Cash Fund. Neb. Rev. Stat. § 77-27,132(2)(c) states that 0.25 cents of this additional sales tax should be distributed to the State Highway Capital Improvement Fund and Highway Allocation Fund. As a result, there will be a reduction in the General Fund revenues.

LB 810 has an operative date of October 1/ 2020.

The estimated fiscal impact to the General Fund and various Cash Funds are as follows:

Fiscal Year	Nebraska Health Care Cash Fund	State Highway Capital Improvement Fund	Highway Allocation Fund	General Fund
2020-2021	\$ 21,155,000	\$ 719,000	\$ 127,000	\$ (846,000)
2021-2022	\$ 32,648,000	\$ 1,261,000	\$ 223,000	\$ (1,484,000)
2022-2023	\$ 33,420,000	\$ 1,291,000	\$ 228,000	\$ (1,519,000)
2023-2024	\$ 34,257,000	\$ 1,324,000	\$ 234,000	\$ (1,558,000)

It is estimated that there will be minimal costs to the Department to implement LB 810.

