PREPARED BY: DATE PREPARED: PHONE: Keisha Patent February 07, 2020 402-471-0059

**LB 989** 

Revision: 00

# **FISCAL NOTE**

## LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)						
	FY 202	20-21	FY 2021-22			
	EXPENDITURES	REVENUE	EXPENDITURES REVENUE			
GENERAL FUNDS		\$25,990,000		\$41,732,000		
CASH FUNDS		\$920,000		\$1,689,000		
FEDERAL FUNDS						
OTHER FUNDS						
TOTAL FUNDS		\$26,910,000		\$43,421,000		

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

LB 989 amends the Revenue Act of 1967 to impose sales and use tax on the gross receipts of digital advertisements. "Digital advertisements" means an advertising message delivered over the internet that markets or promotes a particular good, service, or political candidate or message.

The bill is operative October 1, 2020.

#### Revenue:

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

Fiscal Year	General Fund	State Highway Capital Improvement Fund	Highway Allocation Fund
2020-2021	\$25,990,000	\$920,000	\$162,000
2021-2022	\$41,732,000	\$1,689,000	\$298,000
2022-2023	\$44,929,000	\$1,819,000	\$321,000
2023-2024	\$48,308,000	\$1,955,000	\$345,000

### **Expenditures:**

The department estimates minimal cost to implement the bill.

There is no basis to disagree with these estimates.

ADMINIS	STRATIVE SE	RVICES STATE BUDGET DIVISION: REVIEW OF AGENCY &	POLT. SUB. RESPONSE	
LB: 989	AM:	AGENCY/POLT. SUB: Department of Revenue		
REVIEWED BY:	Lee Will	DATE: 02/04/2020	PHONE: (402) 471-4175	
COMMENTS: The Department of Revenue's assessment of fiscal impact seems reasonable given the assumptions provided.				

# LB 989 Fiscal Note 2020

State Agency Estimate								
State Agency Name: Department of Revenue				Date Due LFA:				
Approved by: Tony Fulton	l by: Tony Fulton Date Prepared:				Phone: 471-5896			
	FY 2020	FY 2020-2021			FY 2022-	FY 2022-2023		
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue		
General Funds	Minimal	\$25,990,000	Minimal	\$41,732,000	Minimal	\$44,929,000		
Cash Funds		\$920,000		\$1,689,000		\$1,819,000		
Federal Funds								
Other Funds		\$162,000		\$298,000		\$321,000		
Total Funds	Minimal	\$27,072,000	Minimal	\$43,719,000	Minimal	\$47,069,000		
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LB 989 amends Neb. Rev. Stat. §§ 77-2701.16 and 77-2703 to impose sales and use tax on the gross receipts from sales of digital advertisements. The bill defines a digital advertisement in § 77-2701.16 as an advertising message delivered over the Internet that markets or promotes a particular good, service, or political candidate or message. The operative date for LB 989 is October 1 2020.

It is estimated that digital expenditures in the United States in the year 2018 amounted to \$108 billion and is estimated to increase in the coming years. Based on data from the Bureau of Economic Analysis, Nebraska's share of GDP from data processing, hosting and other information services is 0.6% of the U.S. total, thus DOR assumes that Nebraska's share of digital advertisements expenditures equals 0.6 percent of the national total.

Based on the above assumptions, the estimated increases in General Fund revenue and other cash fund revenues are as follows:

Fiscal Year	General Fund	State Highway Capital Improvement Fund	Highway Allocation Fund
2020-2021	\$25,990,000	\$920,000	\$162,000
2021-2022	\$41,732,000	\$1,689,000	\$298,000
2022-2023	\$44,929,000	\$1,819,000	\$321,000
2023-2024	\$48,308,000	\$1,955,000	\$345,000

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

Major Objects of Expenditure							
Class Code	Classification Title	20-21 <u>FTE</u>	21-22 <u>FTE</u>	22-23 <u>FTE</u>	20-21 Expenditures	21-22 Expenditures	22-23 Expenditures
Operating Costs	Benefits.						
Capital Outlay. Capital Improvements.							
Total							