PREPARED BY: DATE PREPARED: PHONE: Keisha Patent February 19, 2020 402-471-0059

LB 1175

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	\$48,800		\$43,100				
CASH FUNDS	See below	See below	See below	See below			
FEDERAL FUNDS							
OTHER FUNDS							
TOTAL FUNDS	\$48,800		\$43,100				

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

LB 1175 amends the Mechanical Amusement Device Tax Act to impose a cash device tax on cash devices operated in Nebraska. The tax is due and payable on January 1, April 1, July 1, and October 1 of each year on each device in operation during the preceding calendar quarter. The tax is 10% of the gross revenue for each device.

All taxes collected are credited to the Property Tax Credit Cash Fund. The bill is operative January 1, 2021.

Revenue:

The Department of Revenue estimates an indeterminate increase to the Property Tax Credit Cash Fund. Due to the lack of data on gross revenue for these types of devices, we agree that the amount of the increase is indeterminate.

Expenditures:

The department estimates administrative costs of \$48,800 in FY 20-21 and \$43,100 in FY 21-22 for 1.0 FTE Revenue Operations Clerk II to process the payments.

There is no basis to disagree with this estimate.

LB 1175 Fiscal Note 2020

State Agency Estimate									
State Agency Name: Department of	Date Due LFA:								
Approved by: Tony Fulton	Date Prepared:			F	Phone: 471-5896				
	FY 2020-2021		FY 2021	FY 2021-2022		FY 2022-2023			
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue			
General Funds	\$48,800		\$43,100		\$44,100				
Cash Funds		See Below		See Below		See Below			
Federal Funds									
Other Funds									
Total Funds	\$48,800	See Below	\$43,100	See Below	\$44,100	See Below			

LB 1175 amends and enacts a new statute in the Mechanical Amusement Device Tax Act.

It adds a "cash device tax" on top of the occupation tax. It is a ten percent tax on the gross revenue of each cash device. However, gross revenue and gross proceeds are not defined within the bill. Without a definition there remain issues of whether a money value needs to be assigned to free spins, tickets or plays. Tax is due and payable on a quarterly basis, January 1, April 1, July 1, and October 1, for each device in operation during the preceding calendar quarter. This form is prescribed by the Department of Revenue (DOR) documenting the total gross proceeds for that quarter. All cash device taxes will go to the Property Tax Credit Cash Fund.

Under LB 1175 it is unlawful to pay the cash device tax unless the sales or use tax has been paid on such devices. However, it does not explicitly state that it is unlawful to operate the device without having paid the sales tax.

Due to the inability of DOR to obtain data on the gross proceeds and revenues of cash devices, the increase to the Property Tax Credit Cash Fund is indeterminable. Current reporting requirements do not require such information. Consequently, the increase to the Property Tax Credit Cash Fund would be positive but is indeterminable at this time.

DOR estimates the need for 1.0 FTE Revenue Operations Clerk II to process the approximate 10,000 payments annually.

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	
R29112	Revenue Operations Clerk II	1.0	1.0	1.0	\$32,900	\$32,400	\$33,200	
Benefits					\$10,900	\$10,700	\$10,900	
Travel					\$5,000			
Capital Improvements. Total.			\$48,800	\$43,100	\$44,100			