PREPARED BY: DATE PREPARED: PHONE: Austin Ligenza February 22, 2021 (402)471-0050

**LB 26** 

Revision: 00

## **FISCAL NOTE**

## **LEGISLATIVE FISCAL ANALYST ESTIMATE**

ESTIMATE OF FISCAL IMPACT - STATE AGENCIES (See narrative for political subdivision estimates)							
	FY 2021-22 FY 202						
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE			
GENERAL FUNDS		(\$4,586,000)		(\$7,839,000)			
CASH FUNDS		(\$162,000)		(\$317,000)			
FEDERAL FUNDS							
OTHER FUNDS							
TOTAL FUNDS		(\$4,748,000)		(\$8,156,000)			

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

LB 26 seeks to create a sales and use tax exemption for residential water services. Specifically, it exempts the gross receipts received from the sale, lease, or rental of and the storage, use, or consumption of residential water services. LB 26 would become operative October 1, 2022.

The Department of Revenue estimates the following revenue impact to the General Fund, the State Highway Capital Improvement

Fund, and the Highway Allocation Fund:

Tana, and the Highway Theodalett and.							
	General Fund State Highway Capita Improvement Fund (D		Highway Allocation Fund				
FY21-22	(\$4,586,000)	(\$162,000)	(\$29,000)				
FY22-23	(\$7,839,000)	(\$317,000)	(\$56,000)				
FY23-24	(\$8,574,000)	(\$347,000)	(\$61,000)				
FY24-25	(\$9,175,000)	(\$371,000)	(\$66,000)				

There is no basis to disagree with these estimates.

The Department of Revenue estimates no costs to implement LB 26. There is no basis to disagree with this estimate.

ADMINI	STRATIVE SERV	ICES STATE BUDGET DIVISION: REVIEW OF	AGENCY & POLT. SUB. RESPONSE			
LB: 26	AM:	AGENCY/POLT. SUB: Department of Ro	evenue			
REVIEWED BY:	Lee Will	DATE: 02/22/2021	PHONE: (402) 471-4175			
COMMENTS: No basis to disagree with the Department of Revenue's assessment of General Fund revenue loss related to the sales tax exemption on residential water storage, use, or other consumption						

LB 26 Fiscal Note 2021

		State Agency	Estimate			
State Agency Name: Department	of Revenue				Date Due LFO:	
Approved by: Tony Fulton	2/19/2021	2/19/2021 Phone: 471-5896				
		-2022	FY 2022-2023		FY 2023-2024	
	Expenditures	Revenue	Expenditures	Revenue	<b>Expenditures</b>	Revenue
General Funds	\$0	(\$4,586,000)	\$0	(\$7,839,000)	\$0	(\$8,574,000)
Cash Funds		(\$162,000)		(\$317,000)		(\$347,000)
Federal Funds						
Other Funds		(\$29,000)		(\$56,000)		(\$61,000)
Total Funds	\$0	(\$4,777,000)	\$0	(\$8,212,000)	\$0	(\$8,982,000)

LB 26 amends the Nebraska Revenue Act of 1967 to exempt from sales and use taxes the gross receipts from the sale, lease, or rental of and the storage, use, or other consumption in this State of residential water service. The operative date is October 1, 2021.

Based on sales and use tax data from the Department of Revenue (DOR) and Metropolitan Utilities District (MUD), it is estimated that the sales tax from residential water service amounts to approximately \$6.7 million for 2019. For public utilities that do not provide separate reporting for residential versus commercial water service, it is assumed that approximately 60 percent of sales tax from water service is for residential purposes. Based on this assumption, the estimated reduction in General Fund revenue, State Highway Capital Improvement Fund, and Highway Allocation Fund is summarized in the table below.

Fiscal Year	General Fund	State Highway Capital	Highway	
riscal Teal	General Fund	Improvement Fund	Allocation Fund	
2021-2022	\$ 4,586,000	\$ 162,000	\$ 29,000	
2022-2023	\$ 7,839,000	\$ 317,000	\$ 56,000	
2023-2024	\$ 8,574,000	\$ 347,000	\$ 61,000	
2024-2025	\$ 9,175,000	\$ 371,000	\$ 66,000	

It is estimated that there will be no cost to DOR to implement this bill.

Major Objects of Expenditure								
Class Code	Classification Title	21-22 <u>FTE</u>	22-23 <u>FTE</u>	23-24 <u>FTE</u>	21-22 Expenditures	22-23 Expenditures	23-24 Expenditures	
Renefits								
Operating Costs	Benefits							
	ts							

TOTAL.....

LB <sup>(1)</sup> 26					FISCAL NOTE	
State Agency OR Political Sul	Nebraska Department of Transportation					
Prepared by: (3)Jenessa	a Boynton	Date Prep	ared: (4) 2/18/	2021 Phon	e: (5) 402-479-4691	
ES	TIMATE PROVI	DED BY STATE	E AGENCY OR	POLITICAL SUBDI	VISION	
	FY	<u> 2021-22</u>		FY	2022-23	
:	EXPENDITURE		<u>ENUE</u>	EXPENDITURES	REVENUE	
GENERAL FUNDS						
CASH FUNDS	See below	See I	below	See below	See below.	
FEDERAL FUNDS				·		
OTHER FUNDS						
TOTAL FUNDS		_				
TOTAL FUNDS						
<b>Explanation of Estimate:</b>						
The operative date is Oc	·	e Reductions to Build	d Nebraska Act Fun	ds		
		FY2021/22	FY2022/23	FY2023/24	FY2024/25	
State Highway Capital Improve	ment Fund	(\$162,000)	(\$317,000	) (\$347,000)	(\$371,000)	
Highway Allocation Fund (cities	Highway Allocation Fund (cities and counties)		(\$56,000	i	(\$66,000)	
Total		(\$191,000)	(\$373,000)	(\$408,000)	(\$437,000)	
sales tax base will divert for NDOT and the Highway Personal Services:	way Allocation F  BREAKDO	und for cities and with the second se	OBJECTS OF I	<u>EXPENDITURE</u> 2021-22	2022-23	
POSITION TITI	LE .	<u>21-22</u> 	<u>22-23</u>	EXPENDITURES	EXPENDITURES	
Benefits						
Operating						
Travel						
Capital outlay						
Aid						
Capital improvements						