

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2021-22		FY 2022-23	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$58,000		\$98,400	
CASH FUNDS		\$1,013,000		\$4,082,000
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$58,000	\$1,013,000	\$98,400	\$4,082,000

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

LB 367 seeks to impose a tax on cash devices within the Mechanical Amusement Device Tax Act. LB 367 defines cash devices as any mechanical amusement device that is able to award cash, credit, or items of value. Mechanical amusement device is redefined to accommodate for cash devices, and the terms operator and distributor are also redefined.

LB 367 imposes a 20% tax on the net revenue of all cash devices in Nebraska. Cash device operators are to submit the taxes due on each calendar quarter to the State Treasurer for credit to the Property Tax Credit Cash Fund.

LB 367 becomes operative January 1, 2022.

The Department of Revenue estimates 3700 seats at cash devices across Nebraska yield approximately \$100 a day less an 80% prize rate and 5% operating cost. Annual growth is estimated at 3%. With these assumptions, the Department estimates the following revenue will be credited to the Property Tax Credit Cash Fund:

- FY21-22: \$1,013,000
- FY22-23: \$4,082,000
- FY23-24: \$4,204,000
- FY24-25: \$4,330,000

There is no basis to disagree with these estimates.

The Department of Revenue estimates the need for a 1.0 FTE Revenue operations Clerk II and 1.0 FTE Revenue Auditor I to accommodate the additional 1100 tax returns expected each quarter as a result of LB 367. These positions would be needed in January 2022. There is no basis to disagree with these estimates.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB: 367	AM:	AGENCY/POLT. SUB: Racing Commission	
REVIEWED BY: Lee Will	DATE: 01/19/2021	PHONE: (402) 471-4175	
COMMENTS: Concur with the Racing Commission's assessment of no fiscal impact to the agency.			

State Agency Estimate

State Agency Name: Department of Revenue		Date Due LFO:				
Approved by: Tony Fulton		Date Prepared: 2/11/2021				
		Phone: 471-5896				
	FY 2021-2022		FY 2022-2023		FY 2023-2024	
	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>
General Funds	\$58,000		\$98,400		\$100,700	
Cash Funds		\$1,013,000		\$4,082,000		\$4,204,000
Federal Funds						
Other Funds						
Total Funds	\$58,000	\$1,013,000	\$98,400	\$4,082,000	\$100,700	\$4,204,000

LB 367 amends Neb. Rev. Stat. § 77-3001, the Mechanical Amusement Device Tax Act, instituting a 20% tax on the net revenue of cash devices, payable quarterly. As in LB 1175 (2020), gross revenue and gross proceeds for such devices are not clearly 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. The \$250 annual decal fee remains unchanged. The operative date for this bill is January 1, 2022. All taxes collected under this bill are directed to the Property Tax Credit Cash Fund.

The bill defines “Operator” to mean any person who operates a place of business in which a machine or device owned by him or her is physically located or person who places and who either directly or indirectly controls or manages any machine or device; the bill defines “Distributor” to means any person who sells, leases, or delivers possession or custody of a machine or mechanical device to operators thereof for a consideration either directly or indirectly received. LB 367 imposes a tax on device owner-operators, however in administering decals for cash devices the Department of Revenue has found that most devices are controlled by owner-distributors.

Currently, the Department of Revenue oversees approximately 3,700 decals on 3,200 devices (some devices have multiple bill acceptor stations, each requiring a decal) and estimates 3% annual growth. Assuming that each seat at a device, equal to the number of decals, yields \$100 wagered a day with an 80% prize rate and 5% operating cost, the estimated tax collected under LB 367 is as follows:

	Property Tax Credit Cash Fund
FY21-22	\$ 1,013,000
FY22-23	\$ 4,082,000
FY23-24	\$ 4,204,000
FY24-25	\$ 4,330,000

Major Objects of Expenditure

Class Code	Classification Title	21-22	22-23	23-24	21-22	22-23	23-24
		FTE	FTE	FTE	Expenditures	Expenditures	Expenditures
R29112	Revenue Operations Clerk II	0.5	1.0	1.0	\$14,000	\$28,700	\$29,400
A21251	Revenue Auditor I	0.5	1.0	1.0	\$22,100	\$45,300	\$46,300
	Benefits.....				\$11,900	\$24,400	\$25,000
	Operating Costs.....						
	Travel.....						
	Capital Outlay.....				\$10,000		
	Capital Improvements.....						
	Total.....				\$58,000	\$98,400	\$100,700

The cost to the Department for implementing LB 367 would reflect an increase of roughly 1,100 tax returns every quarter, or 4,400 tax returns annually. DOR estimates the need for 1.0 FTE Revenue Operations Clerk II and 1.0 FTE Revenue Auditor I to process and audit the additional returns starting in January 2022.

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2021

LB⁽¹⁾ 367

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Nebraska Racing Commission

Prepared by: ⁽³⁾ Tom Sage Date Prepared: ⁽⁴⁾ January 14, 2021 Phone: ⁽⁵⁾ 402-471-4155

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2021-22</u>		<u>FY 2022-23</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
CASH FUNDS	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
FEDERAL FUNDS	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
OTHER FUNDS	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
TOTAL FUNDS	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

Explanation of Estimate:

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2021-22</u>	<u>2022-23</u>
	<u>21-22</u>	<u>22-23</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Benefits.....				
Operating.....				
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
TOTAL.....				