PREPARED BY: DATE PREPARED: PHONE: Keisha Patent February 23, 2022 402-471-0059

LB 1209

Revision: 00

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

| ESTIMATE OF FISCAL IMPACT - STATE AGENCIES (See narrative for political subdivision estimates) | | | | | | | |
|--|--------------|---------|--------------|---------|--|--|--|
| | FY 2022-23 | | FY 2023-24 | | | | |
| | EXPENDITURES | REVENUE | EXPENDITURES | REVENUE | | | |
| GENERAL FUNDS | | | | | | | |
| CASH FUNDS | | | | | | | |
| FEDERAL FUNDS | | | | | | | |
| OTHER FUNDS | | | | | | | |
| TOTAL FUNDS | | | | | | | |

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

LB 1209 amends provisions relating to sales and use taxes to allow buyer-based tax-exemptions on qualified materials for construction projects to be recognized and utilized by a purchasing agent hired by the construction contractor.

The Department of Revenue estimates the impact as follows:

| | General Fund | State Highway Capital Improvement Fund | Highway Allocation Fund |
|---------|----------------|---|----------------------------|
| FY22-23 | (\$9,784,000) | (\$356,000) | (\$63,000) |
| FY23-24 | (\$12,034,000) | (\$487,000) | (\$86,000) |
| FY24-25 | (\$12,335,000) | (\$499,000) | (\$88,000) |
| FY25-26 | (\$12,643,000) | (\$512,000) | (\$90,000) |

There will be a revenue loss to the State Highway Capital Improvement Fund and the Highway Allocation Fund, which is distributed to cities and counties.

The department estimates minimal costs to implement the bill. There is no basis to disagree with these estimates.

| ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE LB: 1209 AM: AGENCY/POLT. SUB: Department of Revenue | | | | | |
|---|--|-----------------|-----------------------|--|--|
| REVIEWED BY: Neil Sullivan | | DATE: 2/22/2022 | PHONE: (402) 471-4179 | | |

LB 1209 Fiscal Note 2022

| State Agency Estimate | | | | | | | |
|-------------------------------|--------------|----------------|---------------|-----------------|--------------|----------------|--|
| State Agency Name: Department | of Revenue | | Date Due LFO: | | | | |
| Approved by: Tony Fulton | | Date Prepared: | 2/22/2022 | Phone: 471-5896 | | | |
| | FY 2022 | 2-2023 | FY 2023-2024 | | FY 2024-2025 | | |
| | Expenditures | Revenue | Expenditures | Revenue | Expenditures | Revenue | |
| General Funds | | (\$9,784,000) | | (\$12,034,000) | | (\$12,335,000) | |
| Cash Funds | | (\$356,000) | | (\$487,000) | | (\$499,000) | |
| Federal Funds | | | | | | | |
| Other Funds | | (\$63,000) | | (\$86,000) | | (\$88,000) | |
| Total Funds | | (\$10,203,000) | | (\$12,607,000) | | (\$12,922,000) | |

LB 1209 would expand provisions relating to purchasing agents as follows:

- The appointment of purchasing agents will be recognized for the purpose of permitting a construction contractor to purchase materials tax free for items that will be physically annexed to the structure and which subsequently belong to the client when the client would be able to purchase the items tax free.
- The appointment of purchasing agents will be in writing and occur prior to having any buyer-based taxexempt items annexed to real estate during construction, improvement, or repair.
- The contractor who has been appointed as a purchasing agent may purchase the materials tax free or may apply for a refund of or use as a credit against a future use tax liability the tax paid on inventory items annexed to real estate in the construction, improvement, or repair of a project that belongs to the client who is eligible for the buyer-based exemption.

The estimated impact of LB 1209 on the following funds would be as follows:

| Fiscal Year | General Funds | Highway Allocation Fund (Cities and Counties) | State Highway Capital Improvement Fund | |
|-------------|----------------|--|---|--|
| FY 2022-23 | (\$9,784,000) | (\$63,000) | (\$356,000) | |
| FY 2023-24 | (\$12,034,000) | (\$86,000) | (\$487,000) | |
| FY 2024-25 | (\$12,335,000) | (\$88,000) | (\$499,000) | |
| FY 2025-26 | (\$12,643,000) | (\$90,000) | (\$512,000) | |

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

The operative date for this bill is three months after adjournment.

| Major Objects of Expenditure | | | | | | | |
|------------------------------|----------------------|---------------------|---------------------|---------------------|-----------------------|-----------------------|-----------------------|
| Class Code | Classification Title | 22-23 <u>FTE</u> | 23-24 <u>FTE</u> | 24-25 <u>FTE</u> | 22-23 Expenditures | 23-24 Expenditures | 24-25 Expenditures |
| | | | | | | | |
| | | | | | | | |
| Benefits | | | | | | | |
| Operating Costs | | | | | | | |
| Travel | | | | | | | |
| Capital Improvement | ts | | | | | | |
| Total | | | | | | | |

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