

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2023-24		FY 2024-25	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS		(\$7,632,000)		(\$19,480,000)
CASH FUNDS		(\$247,000)		(\$788,000)
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS		(\$7,879,000)		(\$20,268,000)

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

LB 209 seeks to provide sales and use tax exemptions relating to data centers. Sales and use tax exemptions would apply for computers and related equipment that are acquired by a person operating a data center located in this state and are used in, or acquired or stored for later use in, the operation or maintenance of the data center, including, without limitation, the data center's servers and related equipment, temperature control infrastructure, and electrical power infrastructure. Sales and use tax exemptions would also be for electricity or other fuels purchased for electrical or backup generators and would be used in operating a data center. Additionally, the bill provides for some sales and use tax exemptions for tangible personal property relating to data centers.

Finally, LB 209 seeks to add to property that is exempt from property taxes. Under LB 209, computers and related equipment that are acquired, as described above, are to be exempt from the personal property tax.

The operative date for the bill is January 1, 2024.

The Department of Revenue (DOR) estimates the following fiscal impact as a result of the sales tax exemption under this bill:

Fiscal Year	General Fund	State Highway Capital Improvement Fund	Highway Allocation Fund
FY23-24	\$ (7,632,000)	\$ (247,000)	\$ (44,000)
FY24-25	\$ (19,480,000)	\$ (788,000)	\$ (139,000)
FY25-26	\$ (20,730,000)	\$ (839,000)	\$ (148,000)
FY26-27	\$ (22,072,000)	\$ (893,000)	\$ (158,000)

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

The DOR estimates minimal costs to it to implement the bill.

There is no basis to disagree with these estimates by the DOR.

It is anticipated that political subdivisions with data centers could see a significant reduction in revenue from the personal property tax exemption under this bill.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 209	AM:	AGENCY/POLT. SUB: Department of Revenue
REVIEWED BY: Neil Sullivan	DATE: 2/24/2023	PHONE: (402) 471-4179
COMMENTS: The Department of Revenue assessment of fiscal impact from LB 209 appears reasonable.		

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 209	AM:	AGENCY/POLT. SUB: Douglas County Assessor
REVIEWED BY: Neil Sullivan	DATE: 2/24/2023	PHONE: (402) 471-4179
COMMENTS: No basis to disagree with the Douglas County Assessor assessment of fiscal impact from LB 209.		

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 209	AM:	AGENCY/POLT. SUB: Lancaster County Assessor
REVIEWED BY: Neil Sullivan	DATE: 2/24/2023	PHONE: (402) 471-4179
COMMENTS: No basis to disagree with the Lancaster County Assessor assessment of minimal fiscal impact from LB 209.		

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 209	AM:	AGENCY/POLT. SUB: Lancaster County
REVIEWED BY: Neil Sullivan	DATE: 2/24/2023	PHONE: (402) 471-4179
COMMENTS: No basis to disagree with the Lancaster County assessment of indeterminate impact from LB 209.		

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 209	AM:	AGENCY/POLT. SUB: Nebraska Association of County Officials
REVIEWED BY: Neil Sullivan	DATE: 2/24/2023	PHONE: (402) 471-4179
COMMENTS: No basis to disagree with the Nebraska Association of County Officials general assessment of impact from LB 209.		

LB 209 also provides a personal property tax exemption for certain computer and related equipment that will have a fiscal impact on the local government bodies that levy the tax.

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

The operative date for this bill is January 1st, 2024.

Please complete ALL (5) blanks in the first three lines.

2023

LB⁽¹⁾ 209

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Douglas County Assessor/Register of Deeds Office

Prepared by: ⁽³⁾ Michael Goodwillie Date Prepared: ⁽⁴⁾ 1/17/2023 Phone: ⁽⁵⁾ (402) 444-6703

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2023-24</u>		<u>FY 2024-25</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	=====	=====	=====	=====

Explanation of Estimate:

LB 209 would provide a tax exemptions for data centers, including a property tax exemption for personal property that includes computers or related equipment, servers or related equipment, temperature control infrastructure, and electrical control infrastructure. The bill does not describe the process for obtaining the exemption—whether there would be an application or whether the data center would simply not report equipment fitting that description in their annual personal property return. The exemption is without limitation.

From an administrative standpoint, this would not be a hard bill for this office to administer. There would be some paperwork to review by our staff, but there are not so many data centers that would qualify as to make that an administratively difficult task. There would be no fiscal impact on this office, from an administrative standpoint.

This is a bill that would impact value and tax revenue for political subdivisions. Last year, in Douglas County, data centers filed personal property returns with a total of \$168,388,933 in value. At a 2.2% tax rate, as an example, that value would generate \$3,704,557 for political subdivisions in Douglas County. While not all of that value would be exempt under LB 126, it would no doubt be the lion’s share.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2023-24</u>	<u>2024-25</u>
	<u>23-24</u>	<u>24-25</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____

Aid.....
Capital improvements.....
TOTAL.....

_____	_____
_____	_____
_____	_____
_____	_____

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2023

LB⁽¹⁾ 209

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Lancaster County

Prepared by: ⁽³⁾ Dennis Meyer Date Prepared: ⁽⁴⁾ 1-17-23 Phone: ⁽⁵⁾ 402-441-6869

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2023-24</u>		<u>FY 2024-25</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	=====	=====	=====	=====

Explanation of Estimate:

Lancaster County does not have any data centers currently. This type of exemption would reduce the amount of personal property tax that could be collected but there is no way to determine the dollar amount at this point.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2023-24</u>	<u>2024-25</u>
	<u>23-24</u>	<u>24-25</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____

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2023

LB⁽¹⁾ 209

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Nebraska Association of County Officials (NACO)

Prepared by: ⁽³⁾ Elaine Menzel Date Prepared: ⁽⁴⁾ 1/18/2023 Phone: ⁽⁵⁾ 402.434.5660

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2023-24</u>		<u>FY 2024-25</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	=====	=====	=====	=====

Explanation of Estimate:

LB 209 would provide data centers an exemption from personal property taxes beginning January 1, 2024. Computers and related equipment that are acquired by a person operating a data center located in this state and are used in, or acquired or stored for later use in, the operation or maintenance of the data center, including, without limitation, the data center's servers and related equipment, temperature control infrastructure, and electrical power infrastructure, would be exempt from the personal property tax.

Currently, there are approximately 12 data centers in the State with the majority being located in the Lincoln and Omaha area. It is anticipated that number will more than double by the end of 2024 based on companies that have made announcements to build them.

The types of personal property proposed for exemption are relatively high cost, but also depreciate out over time. Given the nature of this industry, such depreciable personal property would be expected to be replaced fairly frequently, which would bring in new equipment at a higher net book value. Counties where data centers are located would not see the expected increase in their tax base in those tax years such property is placed in service. Therefore, the loss in tax base in counties with data centers could be very significant to such counties.

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2023-24</u>	<u>2024-25</u>
	<u>23-24</u>	<u>24-25</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____

Please complete ALL (5) blanks in the first three lines.

2023

LB⁽¹⁾ 209

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Sarpy County

Prepared by: ⁽³⁾ Bill Conley, CFO

Date Prepared: ⁽⁴⁾ Revised 2/28/2023

Phone: ⁽⁵⁾ 402-593-5958

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2023-24</u>		<u>FY 2024-25</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	<u>\$(2,207,881)</u>	_____	<u>\$(2,649,457)</u>
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	<u>\$(109,800)</u>	_____	<u>\$(131,760)</u>
TOTAL FUNDS	<u>_____</u>	<u>\$(2,317,681)</u>	<u>_____</u>	<u>\$(2,781,218)</u>

Explanation of Estimate:

The impact of this legislation would be to reduce the County’s share of property taxes by 3.6%, or \$2,317,681 in FY 2024 and an increasing amount in future years as data centers in process of construction are completed. A reduction of this magnitude would materially impact the services that the County could offer. There would be no way to reduce expenditures and still provide the statutorily-required services to our citizens. As a result, if LB 209 is passed, Sarpy County will be forced to raise the levy to all other residents by 3.9% in order to generate enough revenue for County operations.

Currently, personal property for many of the data centers in Sarpy County is exempt from property taxes as a result of other state incentives. Sarpy County is foregoing \$5,821,193 in property taxes (County share only) from exempt data center personal property tax.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2023-24 EXPENDITURES</u>	<u>2024-25 EXPENDITURES</u>
	<u>23-24</u>	<u>24-25</u>		
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____