PREPARED BY: DATE PREPARED: PHONE: John Wiemer January 20, 2023 402-471-0051

LB 24

Revision: 00

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

| ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates) | | | | | | | |
|--|--------------|-------------|--------------|-------------|--|--|--|
| | FY 202 | 23-24 | FY 2024-25 | | | | |
| | EXPENDITURES | REVENUE | EXPENDITURES | REVENUE | | | |
| GENERAL FUNDS | \$57,100 | | \$10,000 | | | | |
| CASH FUNDS | | (\$279,000) | | (\$439,000) | | | |
| FEDERAL FUNDS | | | | | | | |
| OTHER FUNDS | | | | | | | |
| TOTAL FUNDS | \$57,100 | (\$279,000) | \$10,000 | (\$439,000) | | | |

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

LB 24 seeks to change the taxation of cigars, cheroots, and stogies. Currently, such products are taxed at 20% of the purchase price paid by the first owner or the price at which a first owner who made, manufactured, or fabricated the tobacco product sells the items to others. LB 24 would add the additional limit that the tax collected on each cigar, cheroot, or stogie cannot exceed \$0.50. This would impact the sale of such items that cost more than \$2.50.

LB 24 would become operative October 1, 2023.

Revenue collected from the taxation of these tobacco products is currently credited to the Tobacco Products Administration Cash Fund. The Department of Revenue estimates that the Fund would see the following impact to its revenues as a result of LB 24:

- FY23-24: (\$279,000)
- FY24-25: (\$439,000)
- FY25-26: (\$461,000)
- FY26-27: (\$484,000)

The Department of Revenue also estimates LB 24 will require a Senior Developer to program and maintain the General Processing System with the following expenses:

FY23-24: \$57,100FY24-25: \$10,000FY25-26: \$10,000

There is no basis to disagree with these estimates.

| ADMINI | STRATIVE SERVIC | ES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE |
|--------|-----------------|--|
| LB: 24 | AM: | AGENCY/POLT. SUB: Department of Revenue |

REVIEWED BY: Neil Sullivan DATE: 1/23/2023 PHONE: (402) 471-4179

COMMENTS: The Department of Revenue assessment of fiscal impact from LB 24 appears reasonable.

LB 24 Fiscal Note 2023

| State Agency Estimate | | | | | | | |
|-----------------------|--------------------------|----------------|--|---|--|--|--|
| f Revenue | | | | Date Due LFO: | | | |
| | Date Prepared: | 1/20/2023 | Phone: 471-5896 | | | | |
| FY 2023-2024 | | FY 2024-2025 | | FY 2025-2026 | | | |
| Expenditures | Revenue | Expenditures | Revenue | Expenditures | Revenue | | |
| \$57,100 | \$ 0 | \$10,000 | \$0 | \$10,000 | \$ 0 | | |
| | (\$279,000) | | (\$439,000) | | (\$461,000) | | |
| | | | | | | | |
| | | | | | | | |
| \$57,100 | (\$279,000) | \$10,000 | (\$439,000) | \$10,000 | (\$461,000) | | |
| 1 | Expenditures \$57,100 | Date Prepared: | Date Prepared: 1/20/2023 FY 2023-2024 FY 2024- Expenditures Revenue Expenditures \$57,100 \$0 \$10,000 (\$279,000) | Date Prepared: 1/20/2023 FY 2023-2024 FY 2024-2025 Expenditures Revenue S57,100 \$0 \$10,000 \$0 \$0 \$10,000 \$0 \$0 \$0 \$0 \$0 \$0 \$0 | Date Due LFO: Date Due LFO: Date Due LFO: Date Prepared: 1/20/2023 Phone: 471-5896 FY 2023-2024 FY 2024-2025 FY 2025- Expenditures Revenue Expenditures Expe | | |

LB 24 would amend Neb. Rev. Stat. § 77-4008 to limit the tobacco products tax for cigars, cheroots, and stogies. The tax currently is 20% of the purchase price paid by the first owner or sold by the manufacturer. LB 24 would retain this percentage but limit the tax to 50 cents for each cigar, cheroot, and stogie.

The 50-cent tax limit would only apply to cigars with a price equal to, or greater than, \$2.5 per cigar and would not apply to little filtered cigars, since they are sold on a per unit basis, such as package of 10 or 20. It is estimated that LB 24 would have the following impact to the Tobacco Products Administration Cash Fund:

| Fiscal Year | Tobacco Products Administration Cash Fund | | | | |
|-------------|---|-----------|--|--|--|
| FY 2023-24 | \$ | (279,000) | | | |
| FY 2024-25 | \$ | (439,000) | | | |
| FY 2025-26 | \$ | (461,000) | | | |
| FY 2026-27 | \$ | (484,000) | | | |

LB 24 will require 0.5 FTE of Senior Developer on the first year and \$10,000 for the second and third year to program and maintain the General Processing System.

The operative date for this bill is October 1, 2023.

| Major Objects of Expenditure | | | | | | | |
|------------------------------|--|---------------------|---------------------|---------------------|-----------------------|-----------------------|-----------------------|
| Class Code | Classification Title | 23-24 <u>FTE</u> | 24-25 <u>FTE</u> | 25-26 <u>FTE</u> | 23-24 Expenditures | 24-25 Expenditures | 25-26 Expenditures |
| A07012 | Information Technology Applications Developer/Senior | 0.5 | | | \$39,200 | | |
| | | | | | | | |
| | | | | | | | |
| Operating Costs | | | | | \$12,900 | \$10,000 | \$10,000 |
| Capital Outlay | | | | | \$5,000 | | |
| | nents | | | | \$57,100 | \$10,000 | \$10,000 |