PREPARED BY: John Wiemer
DATE PREPARED: March 1, 2023
PHONE: 402-471-0051

LB 79

Revision: 00

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				
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	See Below	See Below	See Below	See Below

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

LB 79 seeks to amend various sections related to taxation, and to enact the Nebraska EPIC Option Consumption Tax Act (EPIC Act).

LB 79 terminates the following:

- The Nebraska Budget Act
- Tax-increment financing
- Property tax
- The inheritance tax
- Sales and use taxes
- The income tax
- The Homestead exemption
- The Tax Equity and Educational Opportunities Support Act (TEEOSA)
- The Community College Aid Act

Additionally, LB 79 changes the deadline for applications under the ImagiNE Nebraska Act to be the effective date of the EPIC Act.

The Nebraska Budget Act:
Under LB 79, The Nebraska Budget Act would be terminated as of January 1, 2026. On and after that date, the EPIC Act would dictate the budget process.

Property Tax:
Under LB 79, property tax imposed pursuant to Chapter 77 would be repealed at the end of the day on December 31, 2025. Property taxes due from 2025 could still be collected during calendar year 2026, but no property taxes would be imposed on real or personal property beginning January 1, 2026. Along with this, the division of taxes for tax-increment financing would also be terminated. With the termination of property taxes, the Homestead Exemption, TEEOSA, and the Community College Aid Act would end.

The Inheritance Tax:
Under LB 79, the inheritance tax imposed pursuant to sections 77-2001 to 77-2040 would be repealed at the end of the day on December 31, 2025. Inheritance taxes due from 2025 could be collected during calendar year 2026, but no inheritance taxes would be imposed on a deceased person's estate beginning January 1, 2026.

Sales and Use Taxes:
Under LB 79, the state sales and use tax of the Nebraska Revenue Act of 1967 and all local sales and use taxes of the Local Option Revenue Act, the Qualified Judgment Payment Act, and sections 13-319 and 13-2813 would be repealed at the end of the day on December 31, 2025. The Department of Revenue (DOR) could collect sales and use taxes due from 2025 during calendar year 2026, but no sales and use taxes would be imposed on purchases of goods and services beginning January 1, 2026. The current recipients of state sales and use tax are the General Fund, Department of Transportation, and cities and counties through the Highway Allocation Fund.

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<u>The Income Tax:</u>
Under LB 79, the state income tax of the Nebraska Revenue Act of 1967 would be repealed at the end of the day on December 31, 2025. The DOR could collect taxes due from 2025 during calendar year 2026, but income earned in 2026 would not be subject to the income tax.

<u>Consumption Tax:</u>
LB 79 seeks to institute a consumption tax in place of the various sources of tax revenue that would be eliminated under the bill. Under the EPIC Act, the consumption tax would begin on January 1, 2026 on taxable property or services at a rate of 7.5%

The following items would be exempt from the consumption tax:

- The sale of land
- Any taxable property or service that is subject to an excise tax in the state
- The purchase of taxable property or services for business purpose in a trade or business
- The purchase of taxable property or service for an investment purpose and held exclusively for an investment purpose
- The purchase of taxable property or service for educational purposes
- The purchase of used property
- The purchase of groceries for off-premises consumption

Under LB 79, the proceeds of the taxes paid pursuant to the EPIC Act would be collected by the DOR and remitted to the State Treasurer for credit to the General Fund.

LB 79 would allow the Tax Commissioner to designate tax collectors in order to enforce and facilitate the proper administration of the consumption tax.

Under LB 79, in the case of taxable property or service purchased outside of the state and brought into the state for use or consumption in the state and in the mentioned case of property or services being converted to personal use in the state, the purchaser would remit the consumption tax on a form prescribed by the Tax Commissioner.

LB 79 would allow for any person engaging in a trade or business, including farms and ranches, to apply for a tax-exempt certificate from the Tax Commissioner. The tax-exempt certificate would be required to contain an identification number unique to the applicant. The Tax Commissioner would adopt and promulgate rules and regulations regarding the tax-exempt certificate.

LB 79 requires all registered sellers or liable persons to remit consumption taxes on or before the fifteenth day of each month to the Tax Commissioner, with certain exceptions, along with the completion of a form reporting various details relating to gross payments received and taxes collected for the prior month. The EPIC Act allows for registered sellers to deduct 0.25% from the consumption tax collected to reimburse for the cost to collect the tax.

LB 79 identifies large sellers as any seller that has collected more than $100,000 in consumption tax in the prior 12 months. These sellers are required to remit their taxes due to the Tax Commissioner on the first Monday or first business day following the end of each week. These sellers are required to provide security in the form of a cash bond, surety bond, a certificate of deposit, or a treasury bond in an amount equal to $100,000 or 1.5 times the average monthly tax liability of the large seller, whichever is greater.

LB 79 would require the Tax Commissioner to establish a system under which a violation of the Nebraska EPIC Act could be brought to the attention of the Tax Commissioner for investigation and is authorized to develop and maintain a program of awards in which individuals may be recognized and rewarded in a manner deemed appropriate by the Tax Commissioner for discovering, reporting, and prosecuting tax fraud.

LB 79 would provide up to $1,000, up to $5,000, and up to $10,000 exemptions to the consumption tax on gross payments per calendar year and a credit for qualified inventory of a trade or business.

LB 79 would require the DOR to maintain a continuing education program to train employees of the department and to provide them with a current knowledge of state and applicable federal tax laws. The bill would also require the Tax Commissioner to prepare an annual report beginning in 2027 to present to the Revenue Committee. This report would include information on the audits, assessments, or examinations done by the DOR in the previous year.

LB 79 states that nothing in the EPIC Act shall limit the ability of counties, cities, or villages from imposing a separate consumption tax within the limits of the county, city, or village.

LB 79 would establish a process of budgeting for state agencies (also applies to the University of Nebraska and the Nebraska state college system). Beginning in 2026, each state agency would submit an annual budget request to the Appropriations Committee chairperson and to the Governor. An annual request for an agency would be limited to the amount equal to the percentage change in

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the Consumer Price Index for All Urban Consumers, which is released by the federal Bureau of Labor Statistics. In the event of an emergency where an unforeseen contingency arises, the agency can petition the Legislature for a budget increase up to 2.5%. In the event of a natural disaster where the Governor has declared the affected area as a disaster area, the agency can petition the Legislature for a budget increase up to 5%.

Under LB 79, beginning in 2026, the Governor would submit an annual statewide budget to the Legislature by December 1. The Appropriations Committee of the Legislature would approve and submit a bill or bills for the annual statewide budget for approval by the Legislature. The bill or bills would balance expenses with state revenue projected by the Nebraska Economic Forecasting Advisory Board.

LB 79 would create the Budget Equalization and Review Board so that the 93 counties and all political subdivisions in this state receive representation regarding funding for their operations. The Board would consist of 7 members with 5 district representatives, the secretary, and the Auditor of Public Accounts or his or her designee. District representatives could hire staff as needed to assist them in their work. The Board would meet at least once per quarter throughout the calendar year with meetings of the Board subject to the Open Meetings Act. District Representatives and the Secretary of the Board would be compensated at a rate of $80,000 per year until changed by the Legislature and entitled to receive reimbursement for expenses incurred incident to their service on the Board as provided in sections 81-1174 to 81-1177. The district representatives would make a comprehensive report for all of the countywide budget proposals within their respective districts and would submit such comprehensive report to the Board for approval. Each comprehensive report would require a majority vote of the district representatives for approval. Once approved, the proposals would be included in a statewide report prepared by the Secretary of the Board and the statewide report would need to be approved by a majority vote of the district representatives. After approval, the Secretary of the Board would submit the statewide report to the Governor and to the chairperson of the Appropriations Committee.

LB 79 establishes the County Trust Fund to supply political subdivisions with adequate funds to run their respective operations. The Appropriations Committee would use the mentioned statewide report to determine the amount to be transferred each year to the County Trust Fund. The State Treasurer would transfer money to the County Trust Fund as directed by the Legislature.

LB 79 establishes the County Stabilization Fund to assist counties with additional or unexpected expenditures. The Legislature could transfer money into the County Stabilization Fund as needed, but at no time could the balance of the County Stabilization Fund exceed 10% of the total amount transferred for the year into the County Trust Fund. The distributions to be made from the County Stabilization Fund made annually to each county would be based on each county's SEND score. This score would reflect the amount that a county needs to provide standardized quality countywide services to the residents of the county.

LB 79 establishes the County Rainy Day Fund to provide money to counties that are recovering from a fire, a flood, a tornado, or any other kind of natural disaster which destroys buildings or structures used for governmental purposes. The Legislature could transfer money into the County Rainy Day Fund as needed, but at no time could the balance of the County Rainy Day Fund exceed 8% of the total amount transferred for the year into the County Trust Fund.

LB 79 creates the School Equalization and Review Board so that school districts receive representation regarding funding for their operations. Like the Budget and Equalization Review Board, it would be composed of 5 district representatives, a secretary, and the Auditor of Public Accounts or his or her designee. District representatives could hire staff as needed to assist them in their work. The Board would meet at least once per quarter throughout the calendar year with meetings of the board subject to the Open Meetings Act. District Representatives and the Secretary of the Board would be compensated at a rate of $80,000 per year until changed by the Legislature and entitled to receive reimbursement for expenses incurred incident to their service on the Board as provided in sections 81-1174 to 81-1177. The district representatives would submit a district-wide report of all of the school districts within the representative's jurisdiction to the Board for approval. Each district-wide report would require a majority vote of the district representatives for approval. Once approved, the proposals would be included in a statewide report prepared by the Secretary of the Board and the statewide report would need to be approved by a majority vote of the district representatives. After approval, the Secretary of the Board would submit the statewide report to the Governor and to the chairperson of the Appropriations Committee.

LB 79 establishes the Education Trust Fund to provide for the free instruction in the common schools of the state. The Legislature would transfer money into the Education Trust Fund annually to cover the five-year average operational costs per school plus 2% for all public schools operating within the state. The Appropriations Committee would use the mentioned statewide report to determine the amount to be transferred each year to the Education Trust Fund. The State Treasurer would transfer money to the Education Trust Fund as directed by the Legislature.

LB 79 establishes the Education Stabilization Fund so school districts receive adequate funding for their operations. The Legislature could transfer money into the Education Stabilization Fund as needed, but at no time could the balance of the Education Stabilization Fund exceed 10% of the total amount transferred for the year into the Education Trust Fund. The distributions to be made from the Education Stabilization Fund made annually to each school district would be based on each school district's stabilization score. The stabilization score would take into account special student needs, transportation, technology, textbooks, and poverty.

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LB 79 establishes the Education Facilities and Growth Fund to provide money to school districts for the construction of new buildings and facilities, the maintenance of current buildings and facilities, and growth promotion. The Legislature could transfer money into the Education Facilities and Growth Fund as needed, but at no time could the balance of the Education Facilities and Growth Fund exceed 8% of the total amount transferred for the year into the Education Trust Fund.

The DOR estimates the consumption tax from LB 79 would generate the following revenue to the General Fund:

- FY24-25: $0
- FY25-26: $2,978,000,000
- FY26-27: $7,493,000,000
- FY27-28: $7,855,000,000
- FY28-29: $8,234,000,000

This revenue gain is estimated by the DOR to be offset by the elimination of income, sales, property, and inheritance tax, which would cause a revenue loss of:

- FY24-25: $0
- FY25-26: ($3,271,000,000)
- FY26-27: ($9,287,000,000)
- FY27-28: ($12,407,000,000)
- FY28-29: ($12,799,000,000)

The DOR estimates net expenditures for the General Fund to change, as well. The elimination of the Homestead Exemption and Real Property Tax Credit will decrease expenditures. This estimated net change in General Fund expenditures is as follows:

- FY24-25: $0
- FY25-26: $0
- FY26-27: ($739,600,000)
- FY27-28: ($763,250,000)
- FY28-29: ($787,635,500)

The DOR assumes that new revenue will be used to redistribute back to all of the funds and political subdivisions impacted by the EPIC Act. This includes the Highway Allocation Fund, the State Highway Capital Improvement Fund, the Highway Cash Fund, and local option sales tax. Given this, the net impact of LB 79 is estimated as follows by the DOR:

- FY24-25: $0
- FY25-26: ($763,000,000)
- FY26-27: ($2,312,800,000)
- FY27-28: ($5,088,150,000)
- FY28-29: ($5,119,164,500)

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

Also, the DOR estimates a one-time OCIO programming charge of $1,391,544 for mainframe and web development. Additionally, DOR projects the need for additional staff beginning in FY24-25, including Training Specialists, Revenue Agents, Fiscal Compliance Analysts, Revenue Auditors, and more. DOR estimates this to be offset by a reduction in staff beginning in FY26-27 as tax issues are completed and positions are eliminated or reassigned. These positions are primarily those relating to property assessment and revenue operations. As a result, this would reduce DOR expenditures each year over time. Please refer to the DOR's fiscal note for a detailed breakdown on the expected personnel changes.

The Department of Health and Human Services approximates a reduction to the Temporary Assistance for Needy Families (TANF) federal funding in the amount of $16,772,596 based on FY22 numbers as a result of the elimination of the Nebraska Earned Income Tax Credit and Child and Dependent Care Tax Credit that could no longer be claimed as a result of this bill. There is no basis to disagree with this estimate.

The Department of Administrative Services (DAS) estimates an increase to state expenditures as a result of the state being taxed through the consumption tax under this bill. DAS estimates an increase to expenditures in FY25-26 of $75,118,482 and $150,236,963 in FY26-27. There is no basis to disagree with these estimates. For a detailed breakdown of the increase to expenditures estimated by DAS, please see their fiscal note.

The state is also anticipated to have additional responsibilities under this bill that would result in significant increased expenditures. The change to the budget process adds the Budget Equalization and Review Board and the School Equalization and Review Board to compile and approve budgets statewide for political subdivisions. This task will require staff and operational funding for these Boards in order to fulfill their responsibilities. In addition, once these budgets are passed by the Boards, the Legislature and Governor would need more staff for the review of these added governmental budgets now under the purview of the state for funding.

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With the creation of the Budget Equalization and Review Board, political subdivisions would send their budget proposals to the county for the countywide report. Political subdivisions would be defined as any political subdivision in the state other than a school district. When political subdivisions cover multiple counties, this bill would create complexities for how to fund these political subdivisions.

The effect to counties and other political subdivisions would be significant as a result of this bill. The revenue sources for nearly all political subdivisions would be eliminated with the repealing of the inheritance, sales and use, and property tax. The EPIC Act would allow for counties, cities, or villages to impose their own consumption taxes, which would offset the revenue loss if utilized.

The sections of the EPIC Act that change the Nebraska budget process would also significantly impact counties and other political subdivisions. These entities would need to restructure their processes to comply with the new requirements. The elimination of the taxes in the EPIC Act would reduce spending needs for staff and activities that had been connected to the eliminated taxes while staff may be added or re-assigned to account for new responsibilities under this bill.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 79	AM:	AGENCY/POLT. SUB: Department of Revenue
REVIEWED BY: Neil Sullivan	DATE: 3/1/2023	PHONE: (402) 471-4179
COMMENTS: No basis to disagree with the Department of Revenue assessment of fiscal impact, net General Fund revenue gain, and local government revenue reduction resulting from LB 79.		

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 79	AM:	AGENCY/POLT. SUB: Community Colleges
REVIEWED BY: Neil Sullivan	DATE: 3/1/2023	PHONE: (402) 471-4179
COMMENTS: No basis to disagree with the Community Colleges assessment of federal aid reduction resulting from LB 79. The percentages used for the calculated impact of elimination of tax-exempt status and year-over-year increase may be over stated. The impact to Community Colleges does not impact the State General Fund nor State appropriation, and the tax status impact would not be included in the enterprise impact provided by the Department of Administrative Services.		

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 79	AM:	AGENCY/POLT. SUB: Health & Human Services
REVIEWED BY: Neil Sullivan	DATE: 3/1/2023	PHONE: (402) 471-4179
COMMENTS: No basis to disagree with the Health & Human Services fiscal impact assessment of federal funding reduction resulting from LB 79.		

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 79	AM:	AGENCY/POLT. SUB: Department of Transportation
REVIEWED BY: Neil Sullivan	DATE: 3/1/2023	PHONE: (402) 471-4179
COMMENTS: No basis to disagree with the Department of Transportation assessment of fiscal impact from LB 79.		

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ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 79 AM:	AGENCY/POLT. SUB: Nebraska Association of County Officials	
REVIEWED BY: Neil Sullivan	DATE: 3/1/2023	PHONE: (402) 471-4179
COMMENTS: No basis to disagree with the Nebraska Association of County Officials assessment of indeterminate impact from LB 79.		

LB 79 Fiscal Note 2023

State Agency Estimate

State Agency Name: Department of Revenue					Date Due LFO:	
Approved by: Glen White		Date Prepared:	02/28/2023		Phone: 471-5896	
	FY 2023-2024		FY 2024-2025		FY 2025-2026	
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue
General Funds	See Below	See Below	See Below	See Below	See Below	See Below
Cash Funds		See Below		See Below		See Below
Federal Funds						
Other Funds		See Below		See Below		See Below
Total Funds	See Below	See Below	See Below	See Below	See Below	See Below

LB 79 creates the Nebraska EPIC Option Consumption Tax Act (EPIC Act). EPIC stands for the elimination of property, income, and corporate taxes.

Section 3 through 5 repeal the state income tax, sales and use tax, all local sales and use taxes pursuant to the Local Option Revenue Act, Qualified Judgment Payment Act, and §§ 13-319 and 13-2813, the property tax, and the inheritance tax. These repeals are effective at the end of the day on December 31, 2025.

The Nebraska Department of Revenue (DOR) may collect the income tax due from 2025 during the calendar year 2026, but income earned in 2026 is not subject to the income tax. DOR may collect the sales and use taxes due from 2025 during the calendar year 2026, but no sales and use taxes will be imposed on purchases of goods and services beginning January 1, 2026. DOR may collect the property taxes due from 2025 during calendar year 2026, but no property taxes will be imposed beginning January 1, 2026. DOR may collect inheritance taxes due from 2025 during calendar year 2026, but no inheritance taxes will be imposed on a deceased person's estate beginning January 1, 2026.

Beginning January 1, 2026, Section 7 imposes a tax on the use or consumption in Nebraska of taxable property or services. The tax rate is 7.5%. The person purchasing the taxable property or services is liable for the tax.

Registered sellers collect the tax, and the tax constitutes a part of the purchase price and is a debt from the purchaser to the registered seller until collected. The tax collected by registered sellers constitutes a debt owed by the seller to the state. Section 7 also establishes the method and manner of collection and payment of the consumption tax for various categories of property, services, and wages or salary including the following:

- The tax imposed on sales of new automobiles, trucks, trailers, semi-trailers, and truck-tractors ad defined in the Motor Vehicle Registration Act (motor vehicles) and is paid to the county treasurer of the county where the transaction took place. In the rental or lease of motor vehicles, the lessor must collect the tax on the rental or lease price.

Major Objects of Expenditure

Class Code	Classification Title	23-24 FTE	24-25 FTE	25-26 FTE	23-24 Expenditures	24-25 Expenditures	25-26 Expenditures
A29621	Revenue Tax Specialist	0.0	0.0	2.0	$0	$0	$131,000
A11011	Training Specialist	0.0	1.0	2.0	$0	$51,400	$105,400
V29224	Revenue Agent Supervisor	0.0	0.0	0.5	$0	$0	$30,900
V29223	Revenue Agent Senior	0.0	0.0	0.5	$0	$0	$26,300
R29222	Revenue Agent	0.0	0.0	2.5	$0	$0	$114,000
Benefits					$0	$17,000	$134,500
Operating Costs					$1,391,544		
Travel							
Capital Outlay						$5,000	$40,000
Capital Improvements							
Total					$1,391,544	$73,400	$582,100

- The tax on wages or salary paid by a taxable employer, which are taxable services, must be remitted the month after the date the wages were paid. Taxable employers include any household employing domestic servants, and any government except for government enterprises as defined in section 25 of the Act.
- Purchases must remit the consumption tax imposed on property or services purchased outside Nebraska and brought into Nebraska for use in the State to DOR.
- Property or services purchased for a business purpose in a trade or business or for sale outside Nebraska that is later converted for personal use in Nebraska are deemed purchased at the time of conversion are subject to tax on the fair market value of the property on the date of conversion.
- Real estate is taxed as follows:
    - The building and sale of a new structure, like a dwelling, barn, or other building is subject to tax.
    - The building and sale of an addition to a structure is subject to tax.
    - The remodeling and sale of an already existing structure is subject to tax.
    - The sale of an already existing structure by any agent other than the seller or purchaser of real property is considered a taxable service and subject to tax on the commissions or fees imposed by the agents of the seller and purchaser.
- Land is not subject to the tax.
- Medical and dental services are subject to tax as follows:
    - No tax is imposed to persons receiving medical or dental services covered by a medical or dental insurance policy because such person is already subject to an excise tax as described in section 8 of the EPIC Act.
    - If the person is not covered by and insurance policy, the tax is imposed on the fair market value of the services provided and is collected by the office, hospital, or clinic.
    - If the person is under age 18 the parent or legal guardian is liable for paying the tax. If the person is a ward of the state, the state agency charges with the care of the person is liable for paying the tax.

Section 8 lists the exemptions from the consumption tax and requires the Tax Commissioner to create a tax-exemption certificate application. Section 8 exempts taxable property or services that are subject to the following state excise taxes:

- Motor fuels, under § 66-489.
- Cigarettes, under § 77-2602.
- Alcohol-related products, under §§ 53-160, 53-160.04, and 53-162.
- Insurance premiums, under § 77-908.
- Nameplate capacity tax, under § 77-6203.
- Motor vehicle registration fees, under the Motor Vehicle Registration Act.
- Aircraft fuel tax, under § 3-148.
- Documentary stamp tax, under § 76-901.
- Petroleum release remedial action fee, under § 66-1521.
- State and county lodging taxes, under the Nebraska Visitors Development Act.
- Oil and gas severance tax, under § 57-70.
- Corporate occupation tax, under § 21-303.
- Oil and gas conservation charge, under § 57-919.

- Uranium severance tax, under § 57-1202; and
- All other fees imposed by government entities, including, but not limited to, campsite rental fees, marriage license fees, and court filing fees.

The following are also exempt from the consumption tax:

- Taxable property or services purchased for a business purpose in a trade or business. The term purchased for a business purpose in a trade or business means purchased by a person engaged in a trade or business and used in a trade or business:
  - For resale.
  - To produce, provide, render, or sell taxable property or services; or
  - In furtherance of other bona fide business purposes.
- Taxable property or services purchased for an investment purpose and held exclusively for an investment purpose. Purchased for an investment purpose means purchased exclusively for purposes of appreciation or the production of income.
- Taxable property or services purchased for educational purposes.
- Used Property
- Groceries purchased for off-premises personal consumption.

By no later than October 1, 2025, the Tax Commissioner must create an application for a tax-exempt certificate for persons engaging in a trade or business, including farms and ranches, for use when purchasing property or services for a business purposes in a trade or business. The application must be made available in electronic form on the DOR website and in paper form. The Tax Commissioner must adopt and promulgate rules and regulations for the application by September 1, 2025.

Section 9 provides the sourcing provisions, and states that the consumption tax is a destination principal tax. Section 9 governs whether the destination of taxable property or services is within or outside of Nebraska. The destination of

- Tangible personal property is the state or territory in which the property was first delivered to the purchaser, including agents and authorized representatives.
- Real property, or rents or leaseholds on real property is the state or territory in which the real property is located.
- Any other taxable property, including intangible property, is the residence of the purchaser.
- Services, unless other provided by Section 9, is the state or territory in which the use or consumption of the services occurred. Allocation of service invoices relating to more than one jurisdiction must be based on time or another method determined by rule and regulation by the Tax Commissioner.
- Telecommunications services is the residence of the purchaser. Telecommunications services include telephone, including cell phone, beeper, radio, cable television, satellite, and computer online or network services.
- Transportation services (a) where both the original and final destination are in Nebraska, is Nebraska; (b) where the final destination is outside of Nebraska, but the origin is in Nebraska, is deemed 100%

attributable to Nebraska; and (c) where the origin is outside Nebraska and the final destination is in Nebraska, is deemed 0% to Nebraska.

- Electrical services are the residence of the purchaser.
- Financial intermediation services, as defined in Section 27 of the Act, is where the transaction originated.
- Except as otherwise provided in this section, rents paid for leases of tangible property and leaseholds on such property is where the property is located while in use.
- Rental and lease payments on land vehicles, aircraft and watercraft is (A) for a rental or lease of one month or less, the location where the land vehicle, aircraft, or watercraft was originally delivered to the renter or lessee; and (B) for rentals or leases greater than one month, the residence of the renter or lessee.

Except as otherwise provided, Section 10 requires a registered seller or other person liable to collect and remit consumption tax to submit to the Tax Commissioner on or before the 15th day of each month a report relating to the previous calendar month along with the consumption taxes due for such month. For large sellers, the consumption tax is due weekly. Large seller means any seller that has collected more than $100,000 of consumption taxes in the previous 12 months. A registered seller must deduct and withhold from the consumption taxes due .25% of the consumption tax collected to reimburse for the cost of collecting the tax.

The Tax Commissioner may adopt and promulgate rules and regulations granting registered sellers whose yearly tax liability is less than $3,000 to remit consumption taxes on a quarterly basis; and sellers whose yearly tax liability is less than $900 to remit the taxes due annually.

Section 13 imposes various civil and criminal penalties for violations of the EPIC Act.

Section 15 gives the Tax Commissioner authority to serve administrative summons and places restrictions on when the administrative summons may be used.

Section 18 provides that the consumption taxes paid under the EPIC Act will be collected by the DOR and remitted to the State Treasurer for credit to the General Fund.

Section 19 gives the Tax Commissioner the authority to seize property, garnish wages or salary, and file liens to collect amounts due under the EPIC Act in certain situations.

Section 20 allows decisions of the Tax Commissioner under the EPIC Act to be appealed in accordance with the Administrative Procedure Act.

Section 21 provides that any person engaged in a dispute with the Tax Commissioner pertaining to consumption taxes may be entitled to reasonable attorney’s fees, accountancy fees, and other reasonable professional fees incurred in direct relation to the dispute, unless the Tax Commissioner establishes that his or her position was substantially justified.

Section 23 requires gaming sponsors to register with DOR and makes the taxable gaming services of a gaming sponsor subject to the consumption tax. A gaming sponsor is any person selling one or more chances, except that a not-for-profit organization, as defined in Section 26, that has gross receipts from the sale of chances of less than $5,000 during any calendar year is not required to register. Gaming sponsors must collect and remit the consumption tax by the 15th day of each month with respect to taxable gaming services during the previous calendar month.

Section 24 imposes the consumption tax on purchases of taxable property or services by the federal government, state governments, and any political subdivisions.

Section 25. Government enterprises owned or operated by federal, state, or local government units, or political subdivisions must collect and remit consumption tax on any sale of taxable property or service. The term applies to government-owned entities receiving gross payments from private persons, except a govern-owned entity is not considered a government enterprise unless in any calendar month it has revenue from selling taxable property or services exceeding $1,000. These enterprises may use the same exemptions from the consumption tax as private enterprises.

Section 26 provides that not-for-profit organizations are required to pay consumption tax on all taxable property and services but allows an exception and does not impose the consumption tax on employee wages or salary of the not-for-profit.

The EPIC Act defines not-for-profit organizations as a not-for-profit organization organized and operated exclusively for (a) religious purposes; (b) charitable purposes; (c) scientific purposes; (d) purposes of testing for public safety; (e) literary purposes; (f) educational purposes; (g) purposes of civic duty or social welfare; (h) labor purposes; (i) agricultural or horticultural purposes; (j) chamber of commerce, business leagues, or trade associations; or (k) fraternal beneficiary societies, orders, lodges, or associations of which no part of the net earnings inures to the benefit of any private shareholder or individual.

Section 27 imposes the consumption tax on financial intermediation services with respect to an underlying investment account or debt. The consumption tax will be imposed and collected with the same frequency that statements are rendered by the financial institution in connection with the investment account or debt but not less frequently than quarterly.

Section 28 imposes the consumption tax on financing leases, meaning any lease under which the lessee has the right to acquire the property for 50% or less of its fair market value at the end of the term. It requires the Tax Commissioner to adopt and promulgate rules and regulations for disaggregating the principal and interest components of a financing lease.

Sections 29 and 30 set the interest rates for various debt instruments, investments, investment financing leases and accounts. Section 30 requires the Tax Commissioner to publish the applicable rates monthly. Under Section 30, the interest on any past due consumption taxes will be at the rate specified in § 45-104.02, as such rate may from time to time be adjusted.

Section 31 provides the following three exemptions from the consumption tax. The first exempts up to $1,000 of gross payments per calendar year tax if (a) made by a person not connected with a trade or business at any time during the calendar year before making such gross payment and (b) made to purchase taxable property or service brought into Nebraska by such person for use or consumption by such person in Nebraska. The second exempts up to $5,000 of gross payments per calendar year if received (a) by a person not connected with a trade or business during the calendar year before receiving the gross payments; and (b) in connection with a casual or isolated sale.

The third exempts up to $10,000 of gross payments per calendar year received by a person from the sale of financial intermediation services, as defined under the EPIC Act, to be claimed as a credit toward the consumption tax. This credit is not available to large sellers as defined in Section 10 of the EPIC Act.

Section 32 provides for a transitional inventory credit for trades or businesses which held qualified inventory on the close of business on December 31, 2025. The credit is allowed with respect to the month when the inventory is sold subject to the consumption tax. The credit equals the cost of the qualified inventory, as defined in subsection (2), times the rate of the consumption tax. Subsection (2) of Section 32 provides that qualified inventory will have the cost that it had for federal income tax purposes for the trade or business as of December 31, 2025, including any amounts capitalized by reason of IRC § 263A.

Section 34 requires the DOR to maintain a continuing education program to train employees with current knowledge of state and applicable federal tax laws. Beginning in 2027, the Tax Commissioner must prepare an annual report and present it to the Revenue Committee concerning the number and kind of audits, assessments, or examinations conducted in the previous year. The Tax Commissioner must also develop procedures for monitoring employee performance which may include use of evaluations obtained from taxpayers.

Section 35 allows the Tax Commissioner to enter into written agreements with any registered seller to pay consumption tax that has been finally assessed or not appealed in installment payments for a period not lasting more than 12 months except such agreement may be renewed at the direction of the Tax Commissioner for succeeding periods not to exceed 12 months. The Tax Commissioner has authority to amend, modify or terminate the installment payment agreement in certain circumstances and must adopt and promulgate rules and regulations for implementation of this section. Any county, city, or village administering its own consumption tax has the same authority.

Section 37 imposes interest on final assessments to accrue from the date of entry of the final assessment on the total amount of its components, including tax, interest, and any penalty, as one lump-sum amount.

Section 38 permits counties, cities, or villages to impose its own separate consumption tax within its county, city, or village limits.

Section 69 amends § 77-6827 and provides that there will be no new incentive applications under the ImagiNE Nebraska Act after the effective date of the EPIC Act. Complete applications filed on or before the effective date of the EPIC Act must be considered and approved if it otherwise meets the requirements of § 77-6839. Agreements may be executed regarding complete applications filed on or before the effective date of this act.

The DOR estimates that eliminating sales tax on Motor Vehicle and Non-Motor Vehicle will have the following fiscal impact to various cash funds and local option sales tax:

	Highway Allocation Fund (Cities and Counties)	State Highway Capital Improvement Fund	Highway Cash Fund	Local Option Sales Tax (Assume 1.5%)
FY2024-25	$ -	$ -	$ -	$ -
FY2025-26	$ (62,800,000)	$ (36,100,000)	$ (53,100,000)	$ (318,000,000)
FY2026-27	$ (193,200,000)	$ (112,000,000)	$ (163,200,000)	$ (790,000,000)
FY2027-28	$ (198,200,000)	$ (115,900,000)	$ (167,300,000)	$ (818,000,000)
FY2028-29	$ (203,400,000)	$ (119,900,000)	$ (171,500,000)	$ (847,000,000)

For the purposes of calculating the consumption tax, DOR utilized the Personal Consumption Expenditure (PCE) from the Bureau of Economic Analysis and assumed that 83% of PCE is subject to the new consumption tax. The table below shows the General Fund revenue loss from eliminating the individual and corporate income tax and the sales and use tax; the General Fund revenue gain from the new consumption tax; the revenue loss for the counties with the elimination of property and inheritance tax; the elimination of the homestead exemption program and real property tax credit fund:

	General Fund Revenues Loss from Eliminating Income and Sales Tax	Revenues Loss for Counties from Elimination of Property and Inheritance Tax	Reduction in General Fund Expenditure due to Homestead and Real Property Tax Credit	**General Fund Revenues from Consumption Tax**
FY2024-25	$ -	$ -	$ -	**$ -**
FY2025-26	$ (3,234,000,000)	$ (37,000,000)	$ -	**$ 2,978,000,000**
FY2026-27	$ (6,369,000,000)	$ (2,918,000,000)	$ 739,600,000	**$ 7,493,000,000**
FY2027-28	$ (6,538,000,000)	$ (5,869,000,000)	$ 763,250,000	**$ 7,855,000,000**
FY2028-29	$ (6,711,000,000)	$ (6,088,000,000)	$ 787,635,500	**$ 8,234,000,000**

Note that the General Fund revenues gain from the consumption tax includes the tax on new motor vehicles that currently is distributed into two funds. LB 79 does not provide sufficient detail regarding how the new revenue consumption tax would be distributed among various existing cash funds, the cities and the counties. The General Fund revenues gain from consumption tax on the table above represent the total revenues before any redistribution of funds.

Assuming that the new revenue from consumption tax at 7.5% will be used to redistribute to all funds and local governments that are impacted by the elimination of other taxes, then the net overall impact of LB 79 will be as follows:

	Net Total of All Funds
FY2024-25	$ -
FY2025-26	$ (763,000,000)
FY2026-27	$ (2,312,800,000)
FY2027-28	$ (5,088,150,000)
FY2028-29	$ (5,119,164,500)

It is estimated that the DOR will require 1.0-2.0 FTE Training Specialist starting in FY2024-2025 and 2.0 FTE Revenue Tax Specialists for FY2025-2026 and FY2026-2027 only. The Department will require the addition of the following ongoing staff; starting in January 2026: 1.0 FTE Revenue Agent Supervisor, 1.0 FTE Revenue Agent Senior, and 5.0 FTE Revenue Agents; starting in January 2027: an additional 5.0 FTE Revenue Agents, 12.0 FTE Fiscal Compliance Analysts and 8.0 FTE Revenue Auditor IIIs; starting in July 2027: 2.0 FTE Attorney IIIs.

Reductions to existing Department's staff will occur in phases as tax issues are completed, beginning in 2027 through 2030. The following positions will be reassigned or eliminated as needed to fulfill departmental duties: 8.0 FTE Office Technicians, 1.0 FTE Revenue Operations Clerk I, 13.0 FTE Revenue Operations Clerk IIs, 1.0 FTE Revenue Section Manager I, 3.0 FTE Revenue Supervisor Is, 1.0 FTE Revenue Supervisor II, 1.0 FTE Revenue Agent Supervisor, 1.0 FTE Revenue Agent Senior and 5.0 FTE Revenue Agents. In addition, Property Assessment will eliminate 8.0 FTE Revenue Tax Specialist Seniors, 7.0 FTE Revenue Property Assessment Liaisons and 1.0 FTE Revenue Property Administrator.

It is estimated that LB 79 will require a one-time programming charge of $1,391,544 paid to the OCIO for mainframe and web development.

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

Eliminating the property tax to be replaced by the EPIC Consumption tax will result in a significant reduction in costs and employees at the county level. This reduction cannot be determined by DOR. LB 79 would effectively repeal TEEOSA.

It's estimated that major objects expenditures for the years beyond FY2025-26 will be as follows:

Major Objects of Expenditure							
		26-27	27-28	28-29	26-27	27-28	28-29
Class Code	Classification Title	FTE	FTE	FTE	Expenditures	Expenditures	Expenditures
A29621	Revenue Tax Specialist	2.0	0.0	0.0	$134,200	$0	$0
V29224	Revenue Agent Supervisor	0.5	1.0	1.0	$31,700	$64,900	$66,600
V29223	Revenue Agent Senior	0.5	1.0	1.0	$27,000	$55,400	$56,800
R29222	Revenue Agent	2.5	10.0	10.0	$116,900	$479,100	$491,100
A21211	Fiscal Compliance Analyst	6.0	6.0	12.0	$306,600	$314,300	$644,300
A21253	Revenue Auditor III	4.0	4.0	8.0	$272,900	$279,700	$573,500
G31113	Attorney III	0.0	2.0	2.0	$0	$181,100	$185,600
A11011	Training Specialist	1.0	0.0	0.0	$54,000	$0	$0
Benefits					$311,300	$453,600	$665,800
Operating Costs							
Travel							
Capital Outlay					$50,000	$65,000	$0
Capital Improvements							
Total					$1,304,600	$1,893,100	$2,683,700

It's estimated that the reduction to major objects expenditures for the years beyond FY2025-26 will be as follows:

Major Objects of Expenditure							
		26-27	27-28	28-29	26-27	27-28	28-29
Class Code	Classification Title	FTE	FTE	FTE	Expenditures	Expenditures	Expenditures
K01011	Office Technician	1.0	3.0	6.0	$ (32,900)	$ (100,400)	$ (204,100)
R29111	Revenue Operations Clerk I	0.5	1.0	1.0	$ (17,700)	$ (35,800)	$ (35,800)
R29112	Revenue Operations Clerk II	1.0	4.0	10.0	$ (40,800)	$ (166,400)	$ (423,800)
G29330	Revenue Section Manager	0.5	1.0	1.0	$ (39,400)	$ (79,700)	$ (79,700)
V29114	Revenue Operations Supervisor I	1.0	3.0	3.0	$ (54,800)	$ (167,200)	$ (167,200)
V29115	Revenue Operations Supervisor II	0.5	1.0	1.0	$ (31,700)	$ (64,200)	$ (64,200)
V29224	Revenue Agent Supervisor	0.5	1.0	1.0	$ (31,700)	$ (64,200)	$ (64,200)
V29223	Revenue Agent Senior	0.5	1.0	1.0	$ (27,000)	$ (54,700)	$ (54,700)
R29222	Revenue Agent	1.0	2.0	4.0	$ (46,700)	$ (94,600)	$ (192,800)
A29622	Revenue Tax Specialist Senior	8.0	8.0	8.0	$ (620,400)	$ (636,000)	$ (651,900)
A27121	Revenue Property Assessment Liaison Trainee	7.0	7.0	7.0	$ (351,800)	$ (360,600)	$ (369,600)
	Revenue Property Administrator	1.0	1.0	1.0	$ (133,127)	$ (139,784)	$ (146,773)
Benefits					$ (471,300)	$ (648,000)	$ (810,100)
Operating Costs					$ (378,600)	$ (388,100)	$ (397,800)
Travel					$ -	$ -	$ -
Capital Outlay					$ -	$ -	$ -
Capital Improvements					$ -	$ -	$ -
Total					$ (2,277,927)	$ (2,999,684)	$ (3,662,673)

Please complete ALL (5) blanks in the first three lines. **2023**

LB(1) 79 **FISCAL NOTE**

State Agency OR Political Subdivision Name: (2) Nebraska Community Colleges

Prepared by: (3) Courtney Wittstruck **Date Prepared: (4)** 01/17/23 **Phone: (5)** 402-381-2084

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	FY 2023-24		FY 2024-25	
	EXPENDITURES	**REVENUE**	**EXPENDITURES**	**REVENUE**
GENERAL FUNDS		-628,585,263		-647,442,821
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS		-628,585,263		-647,442,821

Explanation of Estimate:

21-22 Actual from Page 2 of Uniform Budget Document. Less federal student aid. Then add 10% due to loss of tax-free exemption. Finally, add a 3% YoY increase.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

POSITION TITLE	**NUMBER OF POSITIONS 23-24**	**24-25**	**2023-24 EXPENDITURES**	**2024-25 EXPENDITURES**
Benefits…………………………………...……				
Operating…………………………...……….				
Travel………………………………………..				
Capital outlay…………………...…………..				
Aid…………………………………………...				
Capital improvements……………………...				
TOTAL………………………………....				

LB(1) 79 — FISCAL NOTE — 2023

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

State Agency or Political Subdivision Name:(2) Department of Health and Human Services

Prepared by: (3) John Meals | Date Prepared 2-28-23 | Phone: (5) 471-6719

	FY 2023-2024		FY 2024-2025	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	See Below		See Below	

Return by date specified or 72 hours prior to public hearing, whichever is earlier.

Explanation of Estimate:

LB 79 would result in a loss of Temporary Assistance for Needy Families (TANF) federal funding if the Nebraska Earned Income Tax Credit (EITC) or Child and Dependent Care Tax Credit can no longer be claimed as part of Maintenance of Effort (MOE) expenditure in the TANF program.

For Federal Fiscal Year (FFY) 2022, Nebraska's TANF MOE expenditures totaled $48,300,544 which exceeded Nebraska's MOE requirement of $28,400,000. The State claimed $31,265,233 for Earned Income Tax Credit and $5,407,907 for Childcare and Dependent Care Tax credits for MOE expenditures. If LB79 passes both tax credits would end and reduce Nebraska's MOE to $11,627,404 (based on FFY2022).

Based on these same facts, Nebraska would not meet its required $28,400,000 MOE by $16,772,596. Therefore, the following federal fiscal year, the state would be penalized and receive a reduction of $16,772,596 to its annual $56,627,234 TANF grant.

The TANF MOE penalty is a dollar-for-dollar penalty on an annual basis. Every year that Nebraska does not meet the MOE requirement, the TANF grant for the following fiscal year would be reduced by the MOE requirement shortfall.

MAJOR OBJECTS OF EXPENDITURE

PERSONAL SERVICES:

POSITION TITLE	NUMBER OF POSITIONS 23-24	NUMBER OF POSITIONS 24-25	2023-2024 EXPENDITURES	2024-2025 EXPENDITURES
Benefits				
Operating				
Travel				
Capital Outlay				
Aid				
Capital Improvements				
TOTAL				

Please complete **ALL** (5) blanks in the first three lines. **2023**

LB(1) 79 **FISCAL NOTE**

State Agency OR Political Subdivision Name: (2) Nebraska Department of Transportation

Prepared by: (3) Liza Alderman Date Prepared: (4) 2/24/23 Phone: (5) 402-479-4692

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	FY 2023-24		FY 2024-25	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS				

Explanation of Estimate:

LB 79 applies to NDOT with respect to the elimination of sales and use tax as it currently exists effective January 1, 2026. The bill creates the Nebraska EPIC Consumption Tax. The EPIC Consumption Tax imposes a tax on the use or consumption of taxable property or services in the State of Nebraska at a rate of 7.5% with all proceeds credited to the General Fund. Section 8 of the bill provides exemptions from the EPIC Consumption Tax of which motor fuel, motor vehicle registration fees, and aviation fuel are included.

NDOT has estimated, with guidance from the Department of Revenue, the fiscal impact to the Highway Cash Fund (NDOT), State Highway Capital Improvement Fund (NDOT), and Highway Allocation Fund (cities and counties) would be as follows:

	FY2024-25	FY2025-26	FY2026-27	FY2027-28	FY2028-29
Highway Cash Fund	$0.00	($53,100,000)	($163,200,000)	($167,300,000)	($171,500,000)
State Highway Capital Improvement Fund	$0.00	($36,100,000)	($112,000,000)	($115,900,000)	($119,900,000)
Highway Allocation Fund (Cities/Counties)	$0.00	($62,800,000)	($193,200,000)	($198,200,000)	($203,400,000)

If LB 79 is enacted, NDOT will be required to indefinitely postpone highway construction projects in the program as a result of the reduction in revenue.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

POSITION TITLE	NUMBER OF POSITIONS 23-24	24-25	2023-24 EXPENDITURES	2024-25 EXPENDITURES
Benefits				
Operating				
Travel				
Capital outlay				
Aid				
Capital improvements				
TOTAL				

Please complete ALL (5) blanks in the first three lines. **2023**

LB(1) 79 **FISCAL NOTE**

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

Prepared by: (3) Elaine Menzel **Date Prepared: (4)** 1/11/2023 **Phone: (5)** 402.434.5660

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	FY 2023-24		FY 2024-25	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS				

Explanation of Estimate:
LB79 would adopt the Nebraska EPIC Option Consumption Tax Act. This legislation would repeal many current taxes, including property taxes and inheritance taxes which are relied on by counties for funding their operations. In place of the repealed taxes, a consumption tax would be implemented to fund county government. Counties could implement consumption taxes, including on services. The overall fiscal impact changes are complex in funding and budgeting for counties; therefore, the overall fiscal impact is unknown at this time.

Real and personal property taxes and inheritance taxes would be repealed effective 12/31/2025 by LB 79. In 2022, local governments levied over $4.728 Billion in property taxes, including counties which levied over $770 million of that amount. If in effect, LB 79 would outright repeal counties to collect such taxes. Further, the inheritance tax would be repealed and significantly impact collections of the tax for counties. The amount of reduction is anticipated to be approximately in the amount of approximately $52.26 million ($69.68 million which is average of last 5 fiscal years inheritance tax collections of all 93 counties reduced by 25% which is the estimated fiscal reduction in inheritance tax collections due to the enactment of LB 310 (2022)).

The consumption tax revenue for counties and budget funding for operations would be administered and disbursed by the State Treasurer. Funding received by each county would be determined by the Budget Equalization Board. The County Trust Fund would be used to supply political subdivisions with adequate funds to run their respective operations. Additionally, the County Stabilization Fund would be created for the purpose of assisting counties with additional or unexpended expenditures and a rainy-day fund. There would be a transfer of functions from the State to counties and substantial ones from the counties to the State, particularly for determining a county's individual budgetary needs and providing an allowance for the operations of such county.

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BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

POSITION TITLE	NUMBER OF POSITIONS 23-24	24-25	2023-24 EXPENDITURES	2024-25 EXPENDITURES
Benefits				
Operating				
Travel				
Capital outlay				
Aid				
Capital improvements				
TOTAL				

Please complete ALL (5) blanks in the first three lines. **2023**

LB(1) 79 **FISCAL NOTE**

State Agency OR Political Subdivision Name: (2) Department of Administrative Services (DAS) – Budget - Enterprise

Prepared by: (3) Ann Martinez **Date Prepared:** (4) 02-28-2023 **Phone:** (5) 402-471-4135

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	FY 2023-24		FY 2024-25	
	EXPENDITURES	**REVENUE**	**EXPENDITURES**	**REVENUE**
GENERAL FUNDS				
CASH FUNDS				
FEDERAL FUNDS				
REVOLVING FUNDS				
TOTAL FUNDS	See Below	See Below	See Below	See Below

Explanation of Estimate:

LB 79 as introduced would adopt the Nebraska EPIC Option Consumption Tax Act beginning January 1, 2026, at a rate of seven and one-half percent (7.5%). LB 79 would also terminate the Budget Act, tax-increment financing, the property tax, the inheritance tax, sales and use taxes, the income tax, the homestead exemption, the Tax Equity and Education Opportunities Support Act and the Community College Aid Act as prescribed.

Currently, the State of Nebraska is exempt from sales tax – both state and local. LB 79 as introduced doesn't exempt the State from the Nebraska EPIC Option Consumption Tax.

A review of state expenditures (excluding the University and the State Colleges) from the most recently completed fiscal year (FY21-23) was made by fund type. The review included the six major account categories – Salaries, Benefits, Operating Expenses, Travel, Capital Outlay and Government Aid to determine those expenditures that would be subject to the seven and one-half percent (7.5%) consumption tax. Within each major category some object codes were excluded from the calculations, including the major categories of Salaries and Government Aid.

The estimated impact of the seven and one-half percent (7.5%) consumption tax when applied to State expenditures (assuming no increases in expenditures) in FY25-26 (beginning January 1, 2026) is $75,118,482 and $150,236,963 in FY26-27.

These increased expenditures would require increases in general, cash, federal and revolving fund appropriation in the future fiscal years of FY25-26 and FY26-27. The increased costs would require an increase in assessments, rates and surcharges that are charged across the Enterprise as well as fees charged to customers outside of state government to generate sufficient funds to cover the increase in expenditures.

The table below summarizes the estimated impact by fund type for FY25-26 and FY26-27 of the seven and one-half percent (7.5%) consumption tax.

Fund Type	Estimated Increased Enterprise Expenditures – FY25-26	Estimated Increased Enterprise Expenditures – FY26-27
General Fund	$11,808,338	$23,616,676
Cash Fund	$35,584,716	$71,169,432
NCCF Fund	$1,367,441	$2,734,882
Federal Fund	$15,385,118	$30,770,236
Revolving Fund	$6,034,413	$12,068,825
Trust Fund	$4,938,456	$9,876,912
Total	**$75,118,482**	**$150,236,963**

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

POSITION TITLE	NUMBER OF POSITIONS 23-24	NUMBER OF POSITIONS 24-25	2023-24 EXPENDITURES	2024-25 EXPENDITURES
Benefits………………………………...……				
Operating…………………………...……….				
Travel………………………………………..				
Capital outlay…………………...…………..				
Aid…………………………………………...				
Capital improvements……………………...				
TOTAL……………………………….….				

Please complete ALL (5) blanks in the first three lines. **2023**

LB(1) 79 **FISCAL NOTE**

State Agency OR Political Subdivision Name: (2) NE Dept of Education

Prepared by: (3) Bryce Wilson/Kevin Lyons **Date Prepared:** (4) 1-12-23 **Phone:** (5) 402-471-4320

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	FY 2023-24		FY 2024-25	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS				

Explanation of Estimate:

This bill would completely restructure the Nebraska tax system. The bill creates the Nebraska elimination of property, income, and corporate taxes (EPIC) Option Consumption Tax Act. Property, Income, Sales, and Inheritance taxes would be repealed on 12/31/25. A consumption tax would replace the current tax structure. The consumption tax would be 7.5% on product and services subject to this tax with some exemptions.

Beginning in 2026/27 school year, school budgets would be approved by the School Equalization and Review Board. Provisions of TEEOSA would be repealed as of 1/1/26 and funding for public schools shall be governed by the NE EPIC Consumption Option Tax Act. Schools would receive the five-year average spending plus 2% from the State Education Trust Fund. School fiscal year and audit timelines would need to be changed to allow for the student cost calculations to be available in June as required to determine the five-year average.

Additional aid may be available to schools based through the Education Stabilization fund that is allocated to Districts by the Legislature. A stabilization score that takes into consideration special needs, transportation, technology, textbooks, and poverty would be submitted to the Legislature each year to guide the distribution of the Education Stabilization fund which cannot exceed 10% of the Education Trust Fund.

LB 79 creates the Education Facilities and Growth fund created with funds transferred in at the discretion of the Legislature to address building and facility needs of School Districts. The Legislature would be responsible for determining which projects were funded each year. This fund is limited to 8% of the Education Trust Fund amount.

Since this bill completely changes the taxing structure in Nebraska and how Governmental agencies are funded the fiscal impact is complex and cannot be determined at this time.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

POSITION TITLE	NUMBER OF POSITIONS 23-24	24-25	2023-24 EXPENDITURES	2024-25 EXPENDITURES
Benefits……………………………...……				
Operating…………………………...……….				

Travel………………………………………..		
Capital outlay………………….....…………..		
Aid…………………………………………...		
Capital improvements……………………...		
TOTAL…………………………….....		

Please complete ALL (5) blanks in the first three lines. **2023**

LB(1) 79 **FISCAL NOTE**

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

Prepared by: (3) Dennis Meyer **Date Prepared: (4)** 1-13-23 **Phone: (5)** 402-441-6869

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	FY 2023-24		FY 2024-25	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS				

Explanation of Estimate:

Lancaster County's revenue would decrease because of the elimination of property taxes and inheritance taxes. The County's budgeted amount of property tax for FY22-23 is $89.2 million and the amount for inheritance tax was $5 million. The bill will not be effective for a couple years so the amount of property tax will be slightly higher. Estimating the amount of reduction in other revenues is almost impossible because of unknown variances. Interest earnings will be subject to when money is received at the county level versus when property tax was collected. Any changes to motor vehicle tax could result in a $11.5 million loss in revenue to the county.

Estimating the changes in expenditures is impossible because of the unknown changes that could happen. Departments will need to be reorganized and policies and procedures will change tremendously due to the elimination of property taxes.

Payroll changes would need to be made and Lancaster County has a new payroll system that will need to be updated.

The County Treasurer's office will need to determine what revenues will still be collected at the county level. Property taxes are just a piece of what is collected. Distributions to local subdivisions will need to be changed.

The County Assessor/Register of Deeds office will need to be reorganized due to the elimination of property taxes.

Outstanding bonds that are backed by property tax will need to be reviewed.

The budget process will need to be reviewed because of the elimination of the Nebraska Budget Act. This bill will change up the budget process for all political subdivisions including that the county will collect all budget information for all political subdivisions within each county. The information to be sent to the Budget Equalization and Review Board will drive what the county will need to do to comply.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

POSITION TITLE	NUMBER OF POSITIONS 23-24	24-25	2023-24 EXPENDITURES	2024-25 EXPENDITURES
Benefits……………………………………………				

Operating……………………………...……….		
Travel………………………………………..		
Capital outlay…………………...…………..		
Aid…………………………………………...		
Capital improvements……………………...		
TOTAL……………………………….….		

Please complete ALL (5) blanks in the first three lines. **2023**

LB(1) 79 **FISCAL NOTE**

State Agency OR Political Subdivision Name: (2) Metropolitan Community College

Prepared by: (3) Brenda Schumacher **Date Prepared:** (4) 1/13/2023 **Phone:** (5) (531)622-2406

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	FY 2023-24		FY 2024-25	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS		(100,000,000)		(104,000,000)
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS		(18,500,000)		(19,500,000)
TOTAL FUNDS		(118,500,000)		(123,500,000)

Explanation of Estimate:

Since LB 79 does not provide information regarding how much if any Nebraska EPIC Option Consumption Tax MCC would receive, we are projecting a total loss of our property tax and state aid revenue dollars. These two revenue categories are approximately 75% of our total revenue and without this funding MCC could not continue to provide educational services. The estimate was calculated using our current budget for FY 22-23 and increasing each year of property tax by approximately 5% and state aid by 3%.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

POSITION TITLE	NUMBER OF POSITIONS 23-24	NUMBER OF POSITIONS 24-25	2023-24 EXPENDITURES	2024-25 EXPENDITURES
Benefits				
Operating				
Travel				
Capital outlay				
Aid				
Capital improvements				
TOTAL				