PREPARED BY: DATE PREPARED: PHONE: John Wiemer January 27, 2023 402-471-0051

LB 301

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		\$857,471		\$1,320,457			
CASH FUNDS							
FEDERAL FUNDS							
OTHER FUNDS							
TOTAL FUNDS		\$857,471		\$1,320,457			

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

LB301 proposes that the tax for ready-to-drink cocktails is changed from the rate of \$0.95 per gallon to \$3.75 per gallon.

The Department of Revenue (DOR) estimates the following General Fund revenue increase from the increase in tax rate:

- FY23-24: \$899,000
- FY24-25: \$1,417,000
- FY25-26: \$1,488,000
- FY26-27: \$1,562,000

The Nebraska Liquor Control Commission (NLCC) also estimated an increase in General Fund revenue from this tax change. NLCC's estimates showing an increase in revenue are below:

- FY23-24: \$815,942
- FY24-25: \$1,223,914

The DOR does not expect any costs to implement this bill while the NLCC plans to utilize current infrastructure to implement the bill. There is no basis to disagree on these expenditure estimates.

The estimate from the DOR adds in projected growth while the NLCC estimate does not due to uncertainty in the ready-to-drink cocktail market. Due to this uncertainty, the estimates from the DOR and NLCC for each year have been averaged and are the following:

- FY23-24: \$857,471
- FY24-25: \$1,320,457

ADMINISTRATIVE	SERVICES	S STATE BUDGET DIVISION: REVIEW OF	FAGENCY & POLT. SUB. RESPONSE
LB: 301 – 3 rd Revision	AM:	AGENCY/POLT. SUB: Nebraska Liquo	or Control Commission (035)
REVIEWED BY: Joe Wilc	ох	DATE: 01/27/2023	PHONE: (402) 471-4178
		the Nebraska Liquor Control Commission LB 301. The Agency indicates it could use	Revised estimate of potential Liquor Tax existing resources to implement the changes

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE						
LB: 301	AM:	AGENCY/POLT. SUB: Nebraska Department of	Revenue (016)			
REVIEWED	BY: Joe Wilcox	DATE: 01/25/2023	PHONE: (402) 471-4178			
COMMENTS: No basis to disagree with the Nebraska Department of Revenue estimate of potential General Fund Revenue impact from LB 301. The Agency indicates there is No Fiscal Impact to the Department of Revenue from LB 301.						

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1,223,914

FISCAL NOTE LB⁽¹⁾ 301 REVISION 3 **Liquor Control Commission** State Agency OR Political Subdivision Name: (2) Mark Davis Jr Date Prepared: (4) 1-26-2023 Phone: (5) 402-471-4804 Prepared by: (3) ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION FY 2023-24 FY 2024-25 **REVENUE EXPENDITURES EXPENDITURES REVENUE GENERAL FUNDS** 815,942 1,223,914 CASH FUNDS 0 0 0 0 FEDERAL FUNDS 0 0 0 0

Explanation of Estimate:

OTHER FUNDS

TOTAL FUNDS

Estimate is based on the RTDs reported for tax in Nebraska FY21-FY22, total gallonage for that was 400,688. This total is 11 months of reporting (August 2021 to June 2022). Dividing this total by 11 months provides a monthly average of 36,426 gallons. NLCC cannot make an estimate for increase or decrease in importation to and manufacture in Nebraska of RTD cocktails. Revenue is based on the difference between the proposed RTD tax of \$3.75 per gallon and the current RTD tax of \$0.95 per gallon, for a difference of \$2.80 per gallon starting in October 2023 for FY23-24 due to the end date of the legislature. This shows an increased tax revenue between what would have been projected revenue and the proposed excise tax rate.

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815,942

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NLCC will utilize current infrastructure to implement.

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Personal Services:	DOWN BY MA	JOR OBJECTS C	OF EXPENDITURE	
POSITION TITLE	NUMBER OF POSITIONS 23-24 24-25		2023-24 EXPENDITURES	2024-25 EXPENDITURES
Benefits				
Operating				
Travel				
Capital outlay				
Aid				
Capital improvements				
TOTAL	••••			

State Agency Estimate							
State Agency Name: Departmen	t of Revenue				Date Due LFO:		
Approved by: Glen White	Date Prepared:	01/25/2023 Phone: 471-5654					
		-2024	FY 2024-2025		FY 2025-2026		
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue	
General Funds		\$899,000		\$1,417,000		\$1,488,000	
Cash Funds							
Federal Funds							
Other Funds							
Total Funds		\$899,000		\$1,417,000		\$1,488,000	

LB 301 amends sections §53-160.04 to impose an additional tax on a manufacturer or wholesaler of ready-to-drink cocktails at a rate of \$3.75 per gallon. The tax imposed by this section is only on alcoholic liquor upon which a federal excise tax is imposed. A "ready-to-drink" cocktail is defined as a beverage containing spirits in an original package containing 12.5% or less of alcohol by volume. There is an exemption if the product is shipped out of the state for sale and consumption. The Liquor Control Commission is to collect the tax and remit to the State Treasurer weekly.

Using data from the Nebraska Liquor Control Comission on ready-to-drink cocktails, the Department of Revenue (DOR) estimates the following increases in revenue:

Fiscal Year	General Fund
FY23-24	\$899,000
FY24-25	\$1,417,000
FY25-26	\$1,488,000
FY26-27	\$1,562,000

It is estimated that there will be no cost to the Department to implement this bill.

The operative data for this bill is three months after the session ends.

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
Benefits							
Operating Costs.							
Travel							
Capital Outlay							
					\$0		