PREPARED BY: DATE PREPARED: PHONE: John Wiemer January 30, 2023 402-471-0051

LB 74

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		(\$5,302,000)		(\$13,043,000)		
CASH FUNDS		(\$172,000)		(\$528,000)		
FEDERAL FUNDS						
OTHER FUNDS						
TOTAL FUNDS		(\$5,474,000)		(\$13,571,000)		

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

LB 74 amends provisions relating to sales and use taxes to allow buyer-based tax exemptions, for purchases made by a construction contractor that is appointed as a purchasing agent, on qualified materials for construction projects.

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

The Department of Revenue (DOR) estimates the revenue reduction from this bill as follows:

Fiscal Year	General Funds	Highway Allocation Fund (Cities and Counties)	State Highway Capital Improvement Fund
FY 2023-24	(\$5,302,000)	(\$30,000)	(\$172,000)
FY 2024-25	(\$13,043,000)	(\$93,000)	(\$528,000)
FY 2025-26	(\$13,369,000)	(\$95,000)	(\$541,000)
FY 2026-27	(\$13,703,000)	(\$98,000)	(\$555,000)

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 DOR estimates minimal costs to implement the bill.

There is no basis to disagree with these estimates.

ADMIN	ISTRATIVE SERVICES	S STATE BUDGET DIVISION: REVIEW	OF AGENCY & POLT. SUB. RESPONSE	
LB: 74	AM:	AGENCY/POLT. SUB: Departm	ent of Revenue	
REVIEWED E	BY: Neil Sullivan	DATE: 1/27/2023	PHONE: (402) 471-4179	
COMMENTS: The Department of Revenue assessment of fiscal impact from LB 74 appears reasonable.				

LB 74 Fiscal Note 2023

State Agency Estimate						
State Agency Name: Departmen	t of Revenue				Date Due LFO:	
Approved by: Glen White		Date Prepared:	01/27/2023		Phone: 471-5896	
	FY 2023	3-2024	FY 2024-2025		FY 2025-2026	
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue
General Funds		(\$5,302,000)		(\$13,043,000)		(\$13,369,000)
Cash Funds		(\$172,000)		(\$528,000)		(\$541,000)
Federal Funds						
Other Funds		(\$30,000)		(\$93,000)		(\$95,000)
Total Funds		(\$5,504,000)		(\$13,664,000)		(\$14,005,000)

LB 74 would expand the provisions relating to purchasing agents as follows:

- A taxpayer may appoint construction contractors as purchasing agents to purchase materials tax free for items that will be physically annexed to the structure and which subsequently belong to the taxpayer 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. If the taxpayer fails to timely appoint the purchasing agent, the taxpayer may apply for a refund for any sales or use tax paid by the contractor.
- 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.
- This is similar to the appointment of purchasing agents by nonprofit organizations (See Neb. Rev. Stat. § 77-2704.12(3) and (4)). The ultimate consumer may appoint a contractor to stand in their shoes and utilize the exemption as if the exempt entity were making the purchase directly.

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	Benefits						
Operating Costs	Operating Costs						
Travel							
Capital Improvements							

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The estimated impact of LB 74 on the following funds would be as follows:

Fiscal Year	General Funds	Highway Allocation Fund (Cities and Counties)	State Highway Capital Improvement Fund
FY 2023-24	(\$5,302,000)	(\$30,000)	(\$172,000)
FY 2024-25	(\$13,043,000)	(\$93,000)	(\$528,000)
FY 2025-26	(\$13,369,000)	(\$95,000)	(\$541,000)
FY 2026-27	(\$13,703,000)	(\$98,000)	(\$555,000)

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

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