

**FISCAL NOTE**  
**LEGISLATIVE FISCAL ANALYST ESTIMATE**

<b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)</b>				
	<b>FY 2024-25</b>		<b>FY 2025-26</b>	
	<b>EXPENDITURES</b>	<b>REVENUE</b>	<b>EXPENDITURES</b>	<b>REVENUE</b>
GENERAL FUNDS	\$469,949	\$46,414,000	\$143,990	\$53,828,000
CASH FUNDS		\$1,237,000		\$1,578,000
FEDERAL FUNDS				
OTHER FUNDS				
<b>TOTAL FUNDS</b>	<b>\$469,949</b>	<b>\$47,651,000</b>	<b>\$143,990</b>	<b>\$55,406,000</b>

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

LB 1354 would establish the Advertising Services Tax Act. Under the bill, a tax would be imposed for those doing business in Nebraska whose combined gross advertising revenue is greater than \$1 billion. The rate of the tax would be 7.5% on the assessable base. The Tax Commissioner could adopt and promulgate rules and regulations necessary to implement, administer, and enforce the Act.

The Department of Revenue (DOR) estimates the following increase to General Fund revenues as a result of this bill:

<b>Fiscal Year</b>	<b>General Fund Revenue</b>	<b>Highway Allocation Fund (Cities and Counties)</b>	<b>State Highway Trust Fund</b>	<b>Local (1.5%)</b>
FY24-25	\$ 46,414,000	\$ 218,000	\$ 1,237,000	\$ 8,730,000
FY25-26	\$ 53,828,000	\$ 232,000	\$ 1,578,000	\$ 11,137,000
FY26-27	\$ 58,066,000	\$ 300,000	\$ 1,702,000	\$ 12,014,000

There is estimated to be a revenue increase to the Highway Trust Fund and the Highway Allocation Fund, which is distributed to cities and counties. The DOR also estimates increases in tax revenue to local governments based upon a 1.5% sales and use tax rate.

The DOR estimates a need for a one-time programming charge to be paid to the Office of the Chief Information Office (OCIO) of \$328,449 with ongoing maintenance costs in future years of \$65,690. DOR also estimates a need for 1 FTE Application Developer/Senior in FY25 to help with the development of the new tax program and 0.5 FTE of this position in future years in addition to 0.5 FTE Revenue Operations Clerk II to implement this bill.

There is no basis to disagree with these estimates. However, the DOR does not assume any salary or benefits increases for FY25-26 and FY26-27 for the additional personnel needed pursuant to this bill's provisions. While the actual salary and health insurance increases for FY25-26 and thereafter are not yet determined, it is important to note that any additional personnel in FY24-25 will have ongoing rising costs associated with salary and health insurance increases, which are normally addressed in the biennial budget process for all bargaining and non-bargaining employees.

<b>ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY &amp; POLT. SUB. RESPONSE</b>			
LB: 1354	AM:	AGENCY/POLT. SUB: Department of Revenue	
REVIEWED BY: Neil Sullivan	DATE: 1/30/2024	PHONE: (402) 471-4179	
COMMENTS: The Department of Revenue assessment of fiscal impact from LB 1354 appears reasonable.			

**State Agency Estimate**

State Agency Name: Department of Revenue		Date Due LFO:				
Approved by: James R. Kamm		Phone: 471-5896				
Date Prepared: 01/30/2024						
FY 2024-2025		FY 2025-2026		FY 2026-2027		
Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue	
General Funds	\$469,949	\$46,414,000	\$143,990	\$53,828,000	\$143,990	\$58,066,000
Cash Funds		\$1,237,000		\$1,578,000		\$1,702,000
Federal Funds						
Other Funds		\$8,948,000		\$11,369,000		\$12,314,000
<b>Total Funds</b>	<b>\$469,949</b>	<b>\$56,599,000</b>	<b>\$143,990</b>	<b>\$66,775,000</b>	<b>\$143,990</b>	<b>\$72,082,000</b>

LB 1354 creates a tax on the gross income or revenue from advertising services. The tax is imposed on taxpayers that are doing business in Nebraska and whose combined gross advertising revenue exceeds \$1 billion.

The tax rate is 7.5% of a person’s assessable base for the reporting period. The “accessible base” is defined as the portion of gross advertising revenue that is derived from sales to customers where services are delivered within Nebraska. Gross advertising revenue is considered within Nebraska if the audience of the advertising is within Nebraska according to the IP address of the device where advertising is being viewed or, if the IP address location is unavailable, the use of another reasonable method to source the advertising revenue to Nebraska based on the location of the viewer. If the audience is based both within and outside of Nebraska based on these sourcing rules, the gross advertising revenue is apportioned between Nebraska and other states in proportion to the location of the viewers within Nebraska as compared to the other states. The Tax Commissioner may adopt and promulgate rules and regulations determining the state from which gross advertising revenue is derived.

The estimated fiscal impact to the General Fund revenues would be as follows:

Fiscal Year	General Fund Revenue	Highway Allocation Fund (Cities and Counties)	State Highway Trust Fund	Local (1.5%)
FY24-25	\$ 46,414,000	\$ 218,000	\$ 1,237,000	\$ 8,730,000
FY25-26	\$ 53,828,000	\$ 232,000	\$ 1,578,000	\$ 11,137,000
FY26-27	\$ 58,066,000	\$ 300,000	\$ 1,702,000	\$ 12,014,000

LB 1354 will require a one-time programming charge of \$328,449 paid to the OCIO for develop a new filing and payment system for the new taxation of advertising services. The maintenance for the new system will be at \$65,690 as ongoing costs. The Department of Revenue will also need to hire 1 FTE at the Application Developer/Senior to help with the development of a new tax program within GPS system and reduce to 0.5 FTE after the first year. DOR will also need 0.5 FTE of Revenue Operation Clerk II for additional entry/error correction on the new tax program.

**Major Objects of Expenditure**

Class Code	Classification Title	24-25 FTE	25-26 FTE	26-27 FTE	24-25 Expenditures	25-26 Expenditures	26-27 Expenditures
S29112	Revenue Op Clerk II	0.5	0.5	0.5	\$18,900	\$18,900	\$18,900
A07012	Information Technology Applications Developer/Senior	1.0	0.5	0.5	\$80,000	\$40,000	\$40,000
	Benefits.....				\$32,600	\$19,400	\$19,400
	Operating Costs.....				\$328,449	\$65,690	\$65,690
	Travel.....						
	Capital Outlay.....				\$10,000		
	Capital Improvements.....						
	<b>Total.....</b>				<b>\$469,949</b>	<b>\$143,990</b>	<b>\$143,990</b>

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**2024**

**LB<sup>(1)</sup> 1354**

**FISCAL NOTE**

State Agency OR Political Subdivision Name: <sup>(2)</sup> Nebraska Department of Transportation (NDOT)

Prepared by: <sup>(3)</sup> Jenessa Boynton Date Prepared: <sup>(4)</sup> 01/26/2024 Phone: <sup>(5)</sup> 402-479-4691

**ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION**

	<u>FY 2024-25</u>		<u>FY 2025-26</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	1,237,000	_____	1,578,000
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	218,000	_____	232,000
<b>TOTAL FUNDS</b>	<b>=====</b>	<b>1,455,000</b>	<b>=====</b>	<b>1,810,000</b>

**Explanation of Estimate:**

LB1354 would create the Advertising Services Tax Act in which a tax rate of 7.5% would be imposed on a person or a group of persons subject to the Internal Revenue Code who are part of the same unitary group doing business in Nebraska and whose combined gross advertising revenue exceeds one billion dollars.

Revenue to Build Nebraska Act Funds			
	FY2024-25	FY2025-26	FY2026-27
Highway Trust Fund	\$1,237,000	\$1,578,000	\$1,702,000
Highway Allocation Fund (cities and counties)	\$218,000	\$232,000	\$300,000

This estimate of increased tax revenue is from the Nebraska Department of Revenue. The increase in the sales tax base will result in more available funding to the Highway Trust Fund for NDOT and the Highway Allocation Fund for cities and counties.

**BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE**

**Personal Services:**

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2024-25</u>	<u>2025-26</u>
	<u>24-25</u>	<u>25-26</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
<b>TOTAL.....</b>	_____	_____	_____	_____