

**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	\$395,346	\$1,272,000		\$1,533,000
CASH FUNDS		\$62,000		\$78,000
FEDERAL FUNDS				
OTHER FUNDS				
<b>TOTAL FUNDS</b>	<b>\$395,346</b>	<b>\$1,334,000</b>		<b>\$1,611,000</b>

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

LB 1341 would add the term of consumable hemp product to the Nebraska Hemp Farming Act.

The bill would add a sales tax on consumable hemp products at a rate of 7.5%. The bill states that this tax and rate would begin on July 1, 2023 but the operative date of the bill is three months after adjournment. 2% of the proceeds of this sales tax would be credited to an unnamed fund. The bill states that it would be the intent of the Legislature that this unnamed fund would be used to fund treatment for post-traumatic stress disorder.

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

Fiscal Year	General Fund Revenue	Highway Trust Fund	Highway Allocation Fund (Cities and Counties)	Unnamed Fund	Local Sales Tax (1.5%)
FY2024-25	\$ 1,272,000	\$ 36,000	\$ 6,000	\$ 26,000	\$ 257,000
FY2025-26	\$ 1,533,000	\$ 46,000	\$ 8,000	\$ 32,000	\$ 324,000
FY2026-27	\$ 1,610,000	\$ 48,000	\$ 8,000	\$ 34,000	\$ 340,000

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, as well as to the unnamed fund. The DOR estimates increases in tax revenues to local governments based upon a 1.5% sales and use tax rate.

The DOR estimates a need for a one-time programming charge of \$350,746 to be paid to the Office of the Chief Information Officer (OCIO) for development. The DOR also estimates a need for 0.5 FTE IT Business Systems Analyst for FY25 to implement the new tax program.

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

The Nebraska Department of Agriculture estimates no fiscal impact to it as a result of this bill. There is no basis to disagree with this estimate.

**TECHNICAL NOTE:** The DOR states that a different sales tax rate for consumable hemp would create a conflict with the Streamlined Sales and Use Tax Agreement (SSUTA) and would create compliance issues for the state. Additionally, if this tax were imposed as an excise tax instead, similar to tobacco and vape, it would lower administration costs for the DOR while alleviating the conflict with the SSUTA.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE

LB: 1341                    AM:                                    AGENCY/POLT. SUB: Department of Revenue

REVIEWED BY:    Jacob Leaver                                    DATE: 2/20/2023                                    PHONE: (402) 471-4173

COMMENTS: Concur with the Department of Revenue's estimated fiscal impact as a result of LB 1341.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE

LB: 1341                    AM:                                    AGENCY/POLT. SUB: Department of Agriculture

REVIEWED BY:    Jacob Leaver                                    DATE: 2/21/2023                                    PHONE: (402) 471-4173

COMMENTS: Concur with the Department of Agriculture's estimate of no fiscal impact to the agency as a result of LB 1341.

State Agency Estimate

State Agency Name: Department of Revenue		Date Due LFO:			
Approved by: James R. Kamm		Date Prepared: 02/20/2024			
		Phone: 471-5896			
FY 2024-2025		FY 2025-2026		FY 2026-2027	
Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue
General Funds	\$395,346	\$1,272,000		\$1,533,000	\$1,610,000
Cash Funds		\$62,000		\$78,000	\$82,000
Federal Funds					
Other Funds		\$263,000		\$332,000	\$348,000
Total Funds	\$395,346	\$1,597,000		\$1,943,000	\$2,040,000

LB 1341 imposes a 7.5% sales tax for sales of consumable hemp products. The bill indicates the new rate begins 07/01/2023, however the operative date of the bill is three months after the end of session.

LB 1341 provides that 2% of the proceeds of the sales and use tax collected on sales of consumable hemp products will be credited to a fund yet to be named that will be used to fund treatment for post-traumatic stress.

A different sales tax rate for consumable hemp would create a conflict with the Streamlined Sales and Use Tax Agreement and would create a compliance issue for Nebraska. If this were imposed as an excise tax, similar to tobacco and vape, it would lower the Department of Revenue (DOR) cost to administer and would alleviate the conflict with the Streamlined Sales and Use Tax Agreement.

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

Fiscal Year	General Fund Revenue	Highway Trust Fund	Highway Allocation Fund (Cities and Counties)	Unnamed Fund	Local Sales Tax (1.5%)
FY2024-25	\$ 1,272,000	\$ 36,000	\$ 6,000	\$ 26,000	\$ 257,000
FY2025-26	\$ 1,533,000	\$ 46,000	\$ 8,000	\$ 32,000	\$ 324,000
FY2026-27	\$ 1,610,000	\$ 48,000	\$ 8,000	\$ 34,000	\$ 340,000

LB 1341 will require a one-time programming charge of \$350,746 paid to the OCIO for development. Additionally, the Department of Revenue will need 0.5 FTE of IT Business Systems Analyst for the first year to implement the new tax program.

Major Objects of Expenditure

Class Code	Classification Title	24-25	25-26	26-27	24-25	25-26	26-27
		FTE	FTE	FTE	Expenditures	Expenditures	Expenditures
A07081	Information Technology Business Systems Analyst	0.5			\$29,800		
	Benefits.....				\$9,800		
	Operating Costs.....				\$350,746		
	Travel.....						
	Capital Outlay.....				\$5,000		
	Capital Improvements.....						
	<b>Total</b> .....				\$395,346		

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2024

LB<sup>(1)</sup> 1341

FISCAL NOTE

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

Prepared by: <sup>(3)</sup> Ashley Dempsey Date Prepared: <sup>(4)</sup> 2/20/2024 Phone: <sup>(5)</sup> 402-429-2487

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	FY 2024-25		FY 2025-26	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	=====	=====	=====	=====

Explanation of Estimate:

No fiscal impact.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

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