

**FISCAL NOTE**  
LEGISLATIVE FISCAL ANALYST ESTIMATE

**ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)**

EXPENDITURES	GENERAL	CASH	FEDERAL	REVOLVING	TOTAL
	FY2025-2026	0	0	0	0
REVENUE	GENERAL	CASH	FEDERAL	REVOLVING	TOTAL
FY2025-2026	0	0	0	0	0
FY2026-2027	2,052,000	43,509,000	0	0	45,561,000
FY2027-2028	2,188,000	46,396,000	0	0	48,584,000
FY2028-2029	2,138,000	45,342,000	0	0	47,480,000

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

LB 1124 increases the cigarette tax by \$1.00 to go from \$0.64 to \$1.64.

The rate to the General Fund increases from \$0.49 to \$0.52.

The bill also places the equivalent of \$0.97 of the cigarette tax into the Nebraska Health Care Cash Fund in addition to the current \$1,250,000. The amount that is equivalent to \$0.97 of the tax shall be used for purposes of Medicaid.

The bill is operative July 1, 2026.

The bill contains the emergency clause.

The Department of Revenue (DOR) estimates the following revenue increases to the General Fund and Cash Funds as result of the bill:

Fiscal Year	General Fund	Highway Trust Fund	Highway Allocation Fund	Nebraska Health Care Cash Fund	Total
FY27	\$2,052,000	\$85,000	\$15,000	\$43,424,000	\$45,576,000
FY28	\$2,188,000	\$100,000	\$18,000	\$46,296,000	\$48,602,000
FY29	\$2,138,000	\$97,000	\$17,000	\$45,245,000	\$47,497,000

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 estimates minimal costs to it as a result of the bill.

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

The Department of Health and Human Services estimates that the increase in Cash Fund revenues into the Nebraska Health Care Cash Fund (NHCCF) could offset required General Fund appropriations for Medicaid. LB 1124 states that the new revenue to the NHCCF must be used for medicaid, so it is reasonable to assume the funding could be used to offset current medicaid appropriations, from either the General Fund or certain cash funds used in the Medicaid program.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 1124	AM:	AGENCY/POLT. SUB: Nebraska Department of Revenue (NDOR)
REVIEWED BY: Ryan Yang	DATE: 2/2/2026	PHONE: (402) 471-4178
COMMENTS: The NDOR assessment of fiscal impact from LB 1124 appears reasonable.		

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 1124	AM:	AGENCY/POLT. SUB: Nebraska Department of Transportation (NDOT)
REVIEWED BY: Ryan Yang	DATE: 2/2/2026	PHONE: (402) 471-4178
COMMENTS: The NDOT assessment of fiscal impact from LB 1124 appears reasonable.		

**LB (1) 1124****FISCAL NOTE****2026****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 1-30-2026

Phone: (5) 471-6719

	<u>FY 2026-2027</u>		<u>FY 2027-2028</u>	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	(\$42,188,492)		(\$42,188,492)	
CASH FUNDS		\$42,188,492		\$42,188,492
FEDERAL FUNDS				
OTHER FUNDS				
<b>TOTAL FUNDS</b>	<b>(\$42,188,492)</b>	<b>\$42,188,492</b>	<b>(\$42,188,492)</b>	<b>\$42,188,492</b>

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

**Explanation of Estimate:**

LB1124 proposes to increase the pre-existing cigarette tax, uses a small portion of the increased tax to increase the amount from the state's general fund, and uses the majority of the increased tax amount to move into the Health Care Cash Fund designated for use by Medicaid.

This bill would reduce required general fund appropriations by increasing cash funds from the increased cigarette tax. The department needs to work with the Department of Revenue to accurately calculate the estimated amount of tax that would be generated from the new tax and then calculate the share (97 cents of each dollar) that would go into the Health Care Cash Fund, which would offset general funds beginning with the implementation of this new tax on July 1, 2026.

Based on cigarette sales data from the Department of Revenue, approximately 54,366,614 packs were sold in calendar year 2025. Applying the proposed \$0.97 per-pack tax increase and assuming a 20 percent discount factor to account for reduced consumption, the bill is estimated to generate \$42,188,492 in additional revenue for the Health Care Cash Fund. These funds would be used to offset General Fund expenditures for Medicaid.

**MAJOR OBJECTS OF EXPENDITURE**

PERSONAL SERVICES:

POSITION TITLE	NUMBER OF POSITIONS 26-27	27-28	2026-2027 EXPENDITURES	2027-2028 EXPENDITURES
Benefits.....				
Operating.....				
Travel.....				
Capital Outlay.....				
Aid.....			(\$42,188,492)	(\$42,188,492)
Capital Improvements.....				
<b>TOTAL.....</b>			<b>(\$42,188,492)</b>	<b>(\$42,188,492)</b>

## State Agency Estimate

State Agency Name: Department of Revenue		Date Due LFO:				
Approved by: James R. Kamm	Date Prepared: 01/30/2026		Phone: 471-5896			
	<b>FY 2026-2027</b>	<b>FY 2027-2028</b>	<b>FY 2028-2029</b>			
	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>
General Funds		\$2,052,000		\$2,188,000		\$2,138,000
Cash Funds		\$43,509,000		\$46,396,000		\$45,342,000
Federal Funds						
Other Funds		\$15,000		\$18,000		\$17,000
Total Funds		\$45,576,000		\$48,602,000		\$47,497,000

LB 1124 increases the cigarette tax by \$1 to \$1.64 effective July 1, 2026. An additional 3 cents is allocated to the General Fund and 97 cents to the Nebraska Health Care Cash Fund (HHCF).

It is estimated that LB 1124 will have the following impact:

Fiscal Year	General Fund	Highway Trust Fund	Highway Allocation Fund	Nebraska HHCF	Total
FY2026-27	\$2,052,000	\$85,000	\$15,000	\$43,424,000	\$45,576,000
FY2027-28	\$2,188,000	\$100,000	\$18,000	\$46,296,000	\$48,602,000
FY2028-29	\$2,138,000	\$97,000	\$17,000	\$45,245,000	\$47,497,000

It is estimated there will be minimal costs for the Department of Revenue to implement this bill.

The operative date for this bill is July 1, 2026.

## Major Objects of Expenditure

Class Code	Classification Title	26-27	27-28	28-29	26-27	27-28	28-29
		FTE	FTE	FTE	Expenditures	Expenditures	Expenditures
Benefits.....							
Operating Costs.....							
Travel.....							
Capital Outlay.....							
Capital Improvements.....							
<b>Total.....</b>							