

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	0
FY2026-2027	81,715	0	0	0	81,715
FY2027-2028	9,574	0	0	0	9,574
FY2028-2029	9,574	0	0	0	9,574
REVENUE	GENERAL	CASH	FEDERAL	REVOLVING	TOTAL
FY2025-2026	0	0	0	0	0
FY2026-2027	0	0	0	0	0
FY2027-2028	(3,834,000)	(155,000)	0	0	(3,989,000)
FY2028-2029	(3,949,000)	(160,000)	0	0	(4,109,000)

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

LB 865 establishes sales and use tax exemptions for specific items of tangible personal property if sold between 12:01 am on the last Friday of July and 11:59 pm on the Sunday of the same weekend.

The operative date for the bill is January 1, 2027.

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

Fiscal Year	General Fund Revenues	Highway Trust Fund	Highway Allocation Fund
FY28	(\$3,834,000)	(\$155,000)	(\$27,000)
FY29	(\$3,949,000)	(\$160,000)	(\$28,000)
FY30	(\$4,068,000)	(\$165,000)	(\$29,000)

The DOR estimates a need for a one-time programming charge of \$81,715 paid to the Office of the Chief Information Officer (OCIO) for programming and development costs as well as maintenance costs of \$9,574 in subsequent years for NebFile changes.

TECHNICAL NOTE: The DOR notes that the bill has compliance issues with the Streamlined Sales and Use Tax Agreement as it does not follow established definitions to be used when establishing a sales tax holiday.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 865	AM:	AGENCY/POLT. SUB: Department of Revenue
REVIEWED BY: Ryan Yang	DATE: 1/16/2025	PHONE: (402) 471-4178
COMMENTS: The Department of Revenue assessment of negative fiscal impact from LB 865 appears reasonable.		

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 865	AM:	AGENCY/POLT. SUB: Nebraska Department of Transportation (NDOT)
REVIEWED BY: Ryan Yang	DATE: 1/20/2025	PHONE: (402) 471-4178
COMMENTS: The NDOT assessment of negative fiscal impact from LB 865 appears reasonable.		

State Agency Estimate

State Agency Name: Department of Revenue		Date Due LFO:	
Approved by: James R. Kamm	Date Prepared: 01/16/2026	Phone: 471-5896	
	FY 2026-2027	FY 2027-2028	FY 2028-2029
	Expenditures	Revenue	Expenditures
General Funds	\$81,715		\$9,574
Cash Funds			(\$3,834,000)
Federal Funds			(\$155,000)
Other Funds			(\$27,000)
Total Funds	\$81,715		\$9,574
		(\$4,016,000)	(\$28,000)
			(\$4,137,000)

LB 865 creates an annual “sales tax holiday” between 12:01 am on the last Friday in July through the Sunday of the same weekend, as determined by the time zone where the seller is located. During this period, sales and use taxes will not be imposed on the gross receipts from the sale, use, or consumption of the following property with a sales price of \$100 or less per item: childcare supplies; clothing or footwear and school supplies. Definitions for childcare supplies and school supplies are included.

The exemption does not include: any item for use in a trade or business; cell phones; clothing accessories or equipment; computers and other types of communication, digital, information, or mobile technology; computer software; protective equipment; school computer supplies; sport or recreational equipment; the lease or rental of any item.

Each retailer making such exempt sales must report the amount on their sales and use tax returns. LB 865 addresses the issues of lay-away sales, discounts and coupons, breaking up single units, rain checks, exchanges and returns, delivery charges (including shipping, handling, and service charges), and shipment and delivery times.

This bill has compliance issues with the Streamlined Sales and Use Tax Agreement as it does not follow established definitions to be used when establishing a sales tax holiday.

It is estimated that this bill will have the following fiscal impacts:

Fiscal year	General Fund revenues	Highway Trust Fund	Highway Allocation Fund
FY 27-28	(\$3,834,000)	(\$155,000)	(\$27,000)
FY 28-29	(\$3,949,000)	(\$160,000)	(\$28,000)
FY 29-30	(\$4,068,000)	(\$165,000)	(\$29,000)

Major Objects of Expenditure

Class Code	Classification Title	26-27 FTE	27-28 FTE	28-29 FTE	26-27 Expenditures	27-28 Expenditures	28-29 Expenditures
Benefits.....							
Operating Costs.....					\$81,715	\$9,574	\$9,574
Travel.....							
Capital Outlay.....							
Capital Improvements.....							
Total.....					\$81,715	\$9,574	\$9,574

LB 865 will require a one-time programming charge of \$81,715 paid to the OCIO for programming and development costs. There is also maintenance cost of the NebFile changes is estimated at \$9,574 in subsequent years.

The operative date for this bill is January 1, 2027.

Please complete **ALL** (5) blanks in the first three lines.

2026

LB⁽¹⁾ 865

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾

Nebraska Department of Transportation (NDOT)

Prepared by: ⁽³⁾ Lily Kathee

Date Prepared: ⁽⁴⁾ 1/15/2026

Phone: ⁽⁵⁾ 402-479-4635

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2026-27</u>	<u>REVENUE</u>	<u>FY 2027-28</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	<u>(\$155,000)</u>
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	<u>(\$27,000)</u>
TOTAL FUNDS	_____	_____	_____	<u>(\$182,000)</u>

Explanation of Estimate:

LB865 provides for a three-day period of sales tax exemptions beginning the last Friday in July and ending at midnight the following Sunday of the same weekend. The exemption shall apply to sales of child care supplies, clothing or footwear, and school supplies with a sales price of \$100 or less per item.

The exemption would not apply to items used in a trade or business, cell phones, clothing accessories or equipment, computers and other types of communication, digital, information, or mobile technology, computer software, protective equipment, school computer supplies, sports or recreational equipment, or the lease or rental of any item. The bill will become operative on January 1, 2027.

Revenue Impacts to the Build Nebraska Act Funds			
	<u>FY2027-28</u>	<u>FY2028-29</u>	<u>FY2029-30</u>
Highway Trust Fund (NDOT)	<u>(\$155,000)</u>	<u>(\$160,000)</u>	<u>(\$165,000)</u>
Highway Allocation Fund (cities and counties)	<u>(\$27,000)</u>	<u>(\$28,000)</u>	<u>(\$29,000)</u>
Total	<u>(\$182,000)</u>	<u>(\$188,000)</u>	<u>(\$194,000)</u>

This estimate of decreased tax revenue is from the Nebraska Department of Revenue. The decrease in revenue in Build Nebraska Act Funds will result in less funding available for NDOT highway construction projects, such as for expansion of the expressway system, and to 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>2026-27</u>	<u>2027-28</u>
	<u>26-27</u>	<u>27-28</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____