

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	734,591	0	0	0	734,591
FY2027-2028	377,923	0	0	0	377,923
FY2028-2029	388,823	0	0	0	388,823
REVENUE	GENERAL	CASH	FEDERAL	REVOLVING	TOTAL
FY2025-2026	0	0	0	0	0
FY2026-2027	0	0	0	0	0
FY2027-2028	0	1,308,000	0	0	1,308,000
FY2028-2029	0	1,570,000	0	0	1,570,000

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

LB 873 amends the Kratom Consumer Protection Act (Act).

The bill provides that beginning July 1, 2027, an excise tax shall be levied on the retail sale of kratom products to consumers at the rate of 10% of the retail purchase price. The excise tax is in addition to all other occupation, privilege sales, or use taxes imposed by this state or by any political subdivision of the state.

Each retailer of kratom products shall maintain complete and accurate electronic records of sales of kratom products, in the manner prescribed by the Department of Revenue (DOR). Each such retailer shall provide such records to the DOR upon request.

Each retailer of kratom products shall file a return with the DOR by the 20th day of the month following the month reported and with the report shall remit the amount of excise tax due.

The DOR may require retailers to file tax returns electronically and to remit payments due by electronic funds transfers.

The DOR shall collect the excise tax and shall account for and remit to the State Treasurer at least once each month all money collected pursuant to such tax for credit to the Property Tax Credit Cash Fund.

The bill provides that if the DOR has a reasonable belief that a product may be an adulterated kratom product, the DOR may require the person selling, providing, or distributing the product to obtain an independent 3rd party test of the product by a laboratory of the DOR's choosing. A person shall not sell, provide, or distribute any product undergoing such testing until the test results verify that such product is not adulterated.

The bill provides that if a processor violates the Act by selling, offering for sale, providing, or distributing an adulterated kratom product in the state, the DOR shall remove any product found to be adulterated from the list of registered kratom products on the DOR's website.

The bill provides that if a kratom product is found to be adulterated under section 71-3809 with ingredients not reflected on the label of the product, such violation of the Kratom Consumer Protection Act is also prima facie evidence of a violation of the Consumer Protection Act.

The operative date for this bill is three months after the adjournment of the Legislature.

The DOR estimates the following increase in revenues to the Property Tax Credit Cash Fund:

- FY28: \$1,308,000
- FY29: \$1,570,000
- FY30: \$1,727,000

There is no basis to disagree with these revenue estimates.

The DOR also estimates a one-time programming cost to be paid to the Office of the Chief Information Officer of \$353,091 for mainframe and web development and a maintenance cost of \$10,623 in subsequent years. DOR estimates a need to hire 2.0 FTE Fiscal Compliance Analysts, 0.5 FTE Revenue Agent, 1.0 FTE IT Application Developer-Senior, and 1.0 FTE Attorney I to implement the bill. There is no basis to disagree with these expenditure estimates by the DOR, except we estimate only \$25,000 instead of \$30,000 is needed by the DOR for Capital Outlay in FY27.

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

2026

LB⁽¹⁾ 873

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Attorney General

Prepared by: ⁽³⁾ Bebe Strnad Date Prepared: ⁽⁴⁾ 1-13-26 Phone: ⁽⁵⁾ 402-471-2687

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2026-27</u>		<u>FY 2027-28</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	=====	=====	=====	=====

Explanation of Estimate:

No Fiscal Impact.

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.....	_____	_____	_____	_____

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

LB: 873 AM: AGENCY/POLT. SUB: State Treasurer

REVIEWED BY: Ryan Yang DATE: 1/13/2026 PHONE: (402) 471-4178

COMMENTS: No basis to disagree with the State Treasurer assessment of no fiscal impact from LB 873.

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

LB: 873 AM: AGENCY/POLT. SUB: Attorney General

REVIEWED BY: Ryan Yang DATE: 1/13/2026 PHONE: (402) 471-4178

COMMENTS: No basis to disagree with the Attorney General assessment of no fiscal impact from LB 873.

State Agency Estimate

State Agency Name: Department of Revenue		Date Due LFO:				
Approved by: James R. Kamm		Date Prepared: 02/06/2026				
		Phone: 471-5896				
	FY 2026-2027		FY 2027-2028		FY 2028-2029	
	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>
General Funds	\$739,591		\$377,923		\$388,823	
Cash Funds		\$0		\$1,308,000		\$1,570,000
Federal Funds						
Other Funds						
Total Funds	\$739,591	\$ 0	\$377,923	\$1,308,000	\$388,823	\$1,570,000

LB 873 creates a 10% excise tax on kratom products, effective July 1, 2027. The excise tax will be remitted to the Property Tax Credit Cash Fund. This tax is in addition to applicable sales taxes.

Retailers will be required to maintain complete and accurate electronic records of sales of kratom products in a manner determined by Department of Revenue (DOR). Retailers will be required to provide these records to DOR upon request.

Retailers will file a monthly excise tax return with DOR and remit the tax monthly. The return must include a total amount of kratom products sold/transferred and the total amount of tax. DOR may require returns to be submitted electronically and payments to be made electronically.

At least once a month DOR will account for and remit this excise tax to the treasurer.

LB 873 states that if DOR has a “reasonable belief” that a product may be an adulterated kratom product (i.e. include a substance that is not permitted such as those on the controlled substances list or has higher than permitted levels of 7-OH), DOR may require that the person selling, providing or distributing the product obtain independent 3rd party lab testing of the product. DOR can choose the lab.

If a product is undergoing testing to determine if it is adulterated, a person will not be able to sell, provide or distribute that product until the testing verifies the product is not adulterated.

LB 873 states that if a processor violates the Kratom Consumer Protection Act by selling, offering for sale, providing or distributing an adulterated kratom product in Nebraska the product found to be adulterated will be removed from the list of registered kratom products.

LB 873 states that if a kratom product is found to be adulterated with ingredients not reflected on the product’s label, this violation shall also be prima facie evidence of a violation of the Consumer Protection Act.

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
A21211	Fiscal Compliance Analyst	2.0	2.0	2.0	\$101,400	\$104,500	\$107,600
X29222	Revenue Agent	0.5	0.5	0.5	\$22,600	\$23,300	\$24,000
A07012	Information Technology Applications Developer/Senior	1.0	1.0	1.0	\$83,700	\$86,200	\$88,800
A31111	Attorney I	1.0	1.0	1.0	\$60,300	\$62,200	\$64,000
	Benefits.....				\$88,500	\$91,100	\$93,800
	Operating Costs.....				\$353,091	\$10,623	\$10,623
	Travel.....						
	Capital Outlay.....				\$30,000		
	Capital Improvements.....						
	Total.....				\$739,591	\$377,923	\$388,823

It is estimated that LB 873 will have the following impact:

Fiscal Year	Property Tax Credit Cash Fund
FY2026-27	\$ -
FY2027-28	\$ 1,308,000
FY2028-29	\$ 1,570,000
FY2029-30	\$ 1,727,000

LB 873 will require a one-time programming charge of \$353,091 paid to the OCIO for mainframe development and web development, and an annual ongoing cost of \$10,623 for system maintenance. DOR will need to hire 2.0 FTE Fiscal Compliance Analyst, 0.5 FTE Revenue Agent, 1.0 FTE Information Technology Application Developer at senior level, and 1.0 FTE Attorney to implement this bill.

The operative date for this bill is three months after the adjournment of the legislature.

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

2026

LB⁽¹⁾ 873

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ State Treasurer

Prepared by: ⁽³⁾ Jason Walters Date Prepared: ⁽⁴⁾ January 13, 2026 Phone: ⁽⁵⁾ 402-471-2793

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2026-27</u>		<u>FY 2027-28</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	=====	=====	=====	=====

Explanation of Estimate:

The State Treasurer's Office doesn't expect any fiscal impact from LB 873 to the office.

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.....	_____	_____	_____	_____