

FISCAL NOTE
 LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *				
	FY 2009-10		FY 2010-11	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	884,324	1,258,034,000	1,567,843	1,869,235,000
CASH FUNDS		3,571,000		4,803,000
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	884,324	1,262,605,000	1,567,843	1,874,038,000

*Does not include any impact on political subdivisions. See narrative for political subdivision estimates.

LB 13 would amend Nebraska statutes dealing with revenue and taxation.

As written, the bill would repeal almost all current sales tax exemptions found in Sections 77-2704.03 to 77-2704.60, beginning January 1, 2010 and ending January 1, 2011, and impose a state sales tax rate of 6.15% on purchases of property listed in those sections. The bill also amends the definition of gross receipts to include motor vehicle rebates or refunds of returned property and services; amend the definition of sale price to include a tax on trade-ins and narrows the definition of occasional sales. The local city and county sales tax rates would not apply to these same purchases. The current state, city and county sales tax rates would apply to all other items currently subject to sales tax.

The Department of Revenue estimates that collecting the additional tax will require a major increase in data entry costs, as well as additional agents, auditors, and attorneys to collect the additional taxes. Programming is assumed to be immaterial in this case, because the new tax base does not apply to the local option base, additional tax could be treated as a new local option tax, with a 6.15% rate.

There is no basis to disagree with the Department of Revenue's estimate of fiscal impact or administrative costs.

TECHNICAL NOTE: Based on the Introducer's Statement of Intent, it is believed that the intent of LB 13 is to suspend almost all of the sales tax exemptions found in Sections 77-2704.03 to 77-2704.60 for a period of one year and impose a sales tax rate of 0.65% on those purchases; however, as the bill is drafted it instead imposes a rate of 6.15%.

The intent of the bill may also violate sections of the Streamlined Sales and Use Tax Agreement, of which Nebraska is a member, which require uniform tax rates, which is only allowed on certain products, and no variation between state and local tax bases.

LB 13 would also repeal the sales tax exclusion for food purchased with food stamps in violation of the federal exclusion.

The impact of LB 13 if the supposed intended rate of 0.65% was imposed would be as follows:

FY2009-10:	General Fund = \$132,216,823	Highway Fund = \$377,363
FY2010-11:	General Fund = \$196,452,798	Highway Fund = \$507,637