

**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	\$469,949	\$73,424,000	\$143,990	\$83,589,000
CASH FUNDS		(\$4,469,000)		(\$4,148,000)
FEDERAL FUNDS				
OTHER FUNDS				
<b>TOTAL FUNDS</b>	<b>\$469,949</b>	<b>\$68,955,000</b>	<b>\$143,990</b>	<b>\$79,441,000</b>

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

LB 1310 would establish the Advertising Services Tax Act. Under the bill, a tax would be imposed for those doing business in Nebraska whose combined gross advertising revenue is greater than \$1 billion. The rate of the tax would be 7.5% on the assessable base. The Tax Commissioner could adopt and promulgate rules and regulations necessary to implement, administer, and enforce the Act.

The bill removes the sales and use tax exemption of cash devices.

Under this bill, section 77-2704.38 is also outright repealed. This would eliminate the sales and use tax exemption on lottery tickets purchased pursuant to the State Lottery Act.

This bill would become operative on July 1, 2024 and contains the emergency clause.

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 Allocation Fund (Cities and Counties)	State Highway Trust Fund	Local (1.5%)
FY2024-25	\$73,424,000	\$393,000	\$1,412,000	\$15,746,000
FY2025-26	\$83,589,000	\$445,000	\$1,791,000	\$19,640,000
FY2026-27	\$88,124,000	\$515,000	\$1,917,000	\$20,602,000

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 also estimates increases in tax revenue to local governments based upon a 1.5% sales and use tax rate.

Additionally, the DOR notes that per agreements with member lotteries for each of the national games, sales tax would need to be included in the price to those games so as not to go over the mandated price-point. The DOR estimates this would result in the following reduction to lottery beneficiary funds:

Fiscal Year	Nebraska Environment Trust Fund	Various Education Funds	Nebraska State Fair Board	Compulsive Gamblers Assistance Fund
FY2024-25	(\$2,617,000)	(\$2,617,000)	(\$588,000)	(\$59,000)
FY2025-26	(\$2,643,000)	(\$2,643,000)	(\$594,000)	(\$59,000)
FY2026-27	(\$2,670,000)	(\$2,670,000)	(\$600,000)	(\$60,000)

The DOR estimates a need for a one-time programming charge to be paid to the Office of the Chief Information Office (OCIO) of \$328,449 with ongoing maintenance costs in future years of \$65,690. DOR also estimates a need for 1 FTE Application

Developer/Senior in FY25 to help with the development of the new tax program and 0.5 FTE of this position in future years in addition to 0.5 FTE Revenue Operations Clerk II to implement this bill.

There is no basis to disagree with these estimates. However, the DOR does not assume any salary or benefits increases for FY25-26 and FY-26-27 for the additional personnel needed pursuant to this bill's provisions. While the actual salary and health insurance increases for FY25-26 and thereafter are not yet determined, it is important to note that any additional personnel in FY24-25 will have ongoing rising costs associated with salary and health insurance increases, which are normally addressed in the biennial budget process for all bargaining and non-bargaining employees.

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

LB: 1310      AM:      AGENCY/POLT. SUB: Department of Revenue

REVIEWED BY: Neil Sullivan      DATE: 1/30/2024      PHONE: (402) 471-4179

COMMENTS: The Department of Revenue assessment of fiscal impact from LB 1310 appears reasonable.



The estimated fiscal impact to the General Fund revenue and various cash funds would be as follows:

Fiscal Year	General Fund Revenue	Highway Allocation Fund (Cities and Counties)	State Highway Trust Fund	Local (1.5%)
FY2024-25	\$73,424,000	\$393,000	\$1,412,000	\$15,746,000
FY2025-26	\$83,589,000	\$445,000	\$1,791,000	\$19,640,000
FY2026-27	\$88,124,000	\$515,000	\$1,917,000	\$20,602,000

Fiscal Year	Nebraska Environment Trust Fund	Various Education Funds	Nebraska State Fair Board	Compulsive Gamblers Assistance Fund
FY2024-25	(\$2,617,000)	(\$2,617,000)	(\$588,000)	(\$59,000)
FY2025-26	(\$2,643,000)	(\$2,643,000)	(\$594,000)	(\$59,000)
FY2026-27	(\$2,670,000)	(\$2,670,000)	(\$600,000)	(\$60,000)

LB 1310 will require a one-time programming charge of \$328,449 paid to the OCIO for develop a new filing and payment system for the new taxation of advertising services. The maintenance for the new system will be at \$65,690 as ongoing costs. DOR will also need to hire 1 FTE at the Application Developer/Senior to help with the development of a new tax program within GPS system and reduce to 0.5 FTE after the first year. The Department of Revenue will also need 0.5 FTE of Revenue Operation Clerk II for additional entry/error correction on the new tax program.

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**2024**

**LB<sup>(1)</sup> 1310**

**FISCAL NOTE**

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

Prepared by: <sup>(3)</sup> Jenessa Boynton Date Prepared: <sup>(4)</sup> 01/26/2024 Phone: <sup>(5)</sup> 402-479-4691

**ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION**

	<u>FY 2024-25</u>		<u>FY 2025-26</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	1,412,000	_____	1,791,000
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	393,000	_____	445,000
<b>TOTAL FUNDS</b>	<b>=====</b>	<b>1,805,000</b>	<b>=====</b>	<b>2,236,000</b>

**Explanation of Estimate:**

LB1310 would create the Advertising Services Tax Act in which a tax rate of 7.5% would be imposed on a person or a group of persons subject to the Internal Revenue Code who are part of the same unitary group doing business in Nebraska and whose combined gross advertising revenue exceeds one billion dollars.

LB1310 proposes to remove cash devices from the sales tax exemption under mechanical amusement devices as imposed under the Nebraska Revenue Act of 1967.

LB1310 also repeals §77-2704.38 which provides a sales and use tax exemption on lottery tickets purchased pursuant to the State Lottery Act.

Revenue to Build Nebraska Act Funds			
	FY2024-25	FY2025-26	FY2026-27
Highway Trust Fund	\$1,412,000	\$1,791,000	\$1,917,000
Highway Allocation Fund (cities and counties)	\$393,000	\$445,000	\$515,000

This estimate of increased tax revenue is from the Nebraska Department of Revenue. The increase in the sales tax base will result in more available funding to the Highway Trust Fund for NDOT and 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>2024-25</u>	<u>2025-26</u>
	<u>24-25</u>	<u>25-26</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
<b>TOTAL.....</b>	_____	_____	_____	_____