Doug Gibbs February 25, 2014 402-471-0051

LB 1031

Revision: 00 FISCAL NOTE LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)							
	FY 201	4-15	FY 2015-16				
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE			
GENERAL FUNDS	See Below	See Below	See Below	See Below			
CASH FUNDS		See Below	See Below	See Below			
FEDERAL FUNDS							
OTHER FUNDS							
TOTAL FUNDS	See Below	See Below	See Below	See Below			

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

LB 1031 amends the Nebraska Revenue Act of 1967.

The bill adds new language to the Act to provide for a decrease in individual income tax rates in order to reduce total income tax revenue by half of the amount the state collects in sales and use tax in the event that the federal government passes legislation that expands the state's authority to require out-of-state retailers to collect and remit sales and use tax. The Department of Revenue is to determine the amount so collected in the first twelve months following the date the state begins collecting any additional revenue as a result of federal legislation.

In addition, half of any additional revenue collected as a result of federal legislation to expand the states authority to require out-of-state retailers to collect and remit Nebraska sales and use tax as determined by the Department of Revenue is to be credited to the Property Tax Credit Cash Fund.

The bill also exempts any of the additional sales and use tax revenue so collected from being credited to the State Highway Capital Improvement Fund or the Highway Allocation Fund.

Because the provisions of LB 1031 are dependent on the actions of an outside agency which cannot be predicted with any certainty, there is no way to estimate when any fiscal impact would occur.

The Department of Revenue estimates that if federal law did allow Nebraska to require out-of-state retailers to collect and remit sales tax on purchases made by Nebraska residents, the potential revenue would be approximately \$35 - \$50 million annually.

For fiscal years following certification by the Department of Revenue and the one-time transfer to the Property Tax Credit Cash Fund, sales tax collected by out-of-state retailers would result in an undeterminable increase to the General Fund, State Highway Capital Improvement Fund, and State Highway Allocation Fund.

The Department of Revenue indicates the cost to implement LB 1031 will require a one-time programming cost of \$39,760 paid to the office of the CIO for mainframe development and web development if the federal law is enacted.

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

State Agency Estimate									
State Agency Name: Department of			Date Due LFA:	1/31/2014					
Approved by: Kim Conroy		Date Prepared:	1/31/2014		Phone: 471-5896				
	FY 2014-2015		FY 2015-2016		FY 2016-2017				
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue			
General Funds	See Below	See Below	See Below	See Below	See Below	See Below			
Cash Funds		See Below							
Federal Funds									
Other Funds									
Total Funds									

LB 1031 requires the Department of Revenue (Department) to certify the amount of sales tax collected by outof-state retailers during the 12 months following an enactment of and pursuant to federal law that allows the State to require out-of-state retailers to collect and remit sales tax on purchases made by Nebraska residents. The amount excludes proceeds credited to the Highway Trust Fund, State Highway Capital Improvement Fund, and Highway Allocation Fund. LB 1031 provides that one-half of the revenue generated pursuant to the federal grant of collection authority be allocated to reducing individual income tax rates and one-half to the Property Tax Credit Cash Fund.

LB 1031 requires the Department to certify the reduction in individual income tax rates based on one-half of the revenue collected pursuant to the federal grant of collection authority during that 12 month period. The rate reduction calculated by the Department is operative the tax year following the certification. The reduction applies proportionally to the share of gross tax attributable to each of the tax brackets under section 77-2715.03 in effect during the most recently completed taxable year.

Assuming that federal law allows the State to require out-of-state retailers to collect and remit sales tax on purchases made by Nebraska residents, the State is projected to collect an additional \$35-\$50 million of sales tax annually. Assuming the Department certifies the amount collected during the initial 12 month period the year following implementation of a federal law, one-half of the additional amounts would be used to reduce individual income tax rates, resulting in a reduction to the General Fund, and one-half would be transferred by the State Treasurer to the Property Tax Credit Cash Fund.

For fiscal years following certification by the Department and the one-time transfer to the Property Tax Credit Cash Fund, sales tax collected by out-of-state retailers will result in an undeterminable increase to the General Fund, State Highway Capital Improvement Fund, and Highway Allocation Fund.

LB 1031 would require a one-time programming charge of \$39,760 paid to the OCIO for mainframe development and web development if this federal law is passed.

Major Objects of Expenditure									
<u>Class Code</u>	Classification Title	14-15 <u>FTE</u>	15-16 <u>FTE</u>	16-17 <u>FTE</u>	14-15 <u>Expenditures</u>	15-16 <u>Expenditures</u>	16-17 <u>Expenditures</u>		
Benefits									
Operating Costs						\$0	\$0		
Travel									
Capital Outlay									
Aid									
Capital Improveme	nts								
Total					\$0	\$0	\$0		