Doug Gibbs January 30, 2017 402-471-0051

LB 601

Revision: 00 FISCAL NOTE LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)							
	FY 201	7-18	FY 2018-19				
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE			
GENERAL FUNDS	See Below	See Below	See Below	See Below			
CASH FUNDS		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 601 provides that if Nebraska passes legislation that expands the authority of the State to require remote sellers to collect and remit sales tax on purchases by Nebraska residents and the state collects additional revenue as a result of such law, the Department of Revenue is to determine the amount of additional revenue collected during the 12 months following the date on which the State begins collecting such sales tax and certify such amount.

The certified amount shall be credited to the Property Tax Credit Cash Fund.

This provision terminates 3 years following the effective date of LB 601.

Remote seller is defined as any person who sells tangible personal property, products delivered electronically, or services for delivery into Nebraska and who does not have a physical presence in this state.

What constitutes "additional revenue" is not defined by the bill and is somewhat unclear. It may be difficult to determine, as specified by the bill, that the additional revenue is directly a result of the passage of LB 601.

Because the provisions of LB 601 are dependent on actions of the Legislature which cannot be predicted with any certainty, there is no way to estimate exactly when any fiscal impact would occur.

The Department of Revenue estimates that if legislation is passed allowing Nebraska to require out-of-state retailers to collect and remit sales tax on purchases made by Nebraska residents, and assuming all remote sellers collect the sales tax due, the additional revenue could be approximately \$30 to \$40 million of sales tax annually.

The Department of Revenue indicates that implementing the provisions of LB 601 will require a one-time programming charge of \$48,483 paid to the office of the CIO for mainframe development and web development if the law is enacted.

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

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE							
LB:601 AM: AGENCY/POLT. SUB: Department of Revenue			UB: Department of Revenue				
REVIEWED BY: Lyn Heaton		DATE: 2/1/2017	PHONE: (402) 471-4181				
COMMENTS: No basis upon which to disagree with the Dept. of Revenue's analysis. Some additional cost will be borne by the Department if the provisions of this bill need to be implemented because it will be necessary for the Department to account for new revenue remitted from remote sellers separately from other sales tax remissions.							

Fiscal Note 2017

State Agency Estimate									
State Agency Name: Department of			Date Due LFA:	02/01/2017					
Approved by: Tony Fulton		Date Prepared:	01/30/2017		Phone: 471-5896				
<u>FY 2017-2018</u>		FY 2018-2019		FY 2019-2020					
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue			
General Funds	\$48,483	See Below	\$0	See Below	\$0	See Below			
Cash Funds		See Below		See Below		See Below			
Federal Funds									
Other Funds									
Total Funds	\$48,483	See Below	\$0	See Below	\$0	See Below			

State A com our Estimate

LB 601 would provide that if Nebraska passes a law that expands the state's authority to require remote sellers to collect and remit sales tax, the Department of Revenue is to determine the amount of additional revenue and certify the amount collected in the first twelve months to the Governor, the Legislature, and the State Treasurer.

The amount certified is to be credited to the Property Tax Credit Cash Fund. The new section is to terminate three years after the effective date of the act.

Given the uncertain legal basis for this expansion of collection responsibility, the level of compliance with these new requirements by either the remote sellers or their customers cannot be accurately predicted. Assuming all remote sellers collect sales tax, the state could collect an additional \$30 to \$40 million of sales tax annually.

LB 613 would require a one-time programming charge of \$48,483 paid to the OCIO for mainframe development and web development costs if the mandates of this bill are required to be implemented as a result of federal legislation.

Major Objects of Expenditure								
<u>Class Code</u>	Classification Title	17-18 <u>FTE</u>	18-19 <u>FTE</u>	19-20 <u>FTE</u>	17-18 <u>Expenditures</u>	18-19 <u>Expenditures</u>	19-20 <u>Expenditures</u>	
Benefits								
Operating Costs					\$48,483	\$0	\$0	
Travel								
Capital Outlay								
Aid								
Capital Improvements								
Total				\$48,483	\$0	\$0		