PREPARED BY: DATE PREPARED: PHONE: Keisha Patent February 14, 2019 402-471-0059

**LB 218** 

Revision: 00

## **FISCAL NOTE**

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)							
	FY 2019-20 FY 2020-21						
	EXPENDITURES	REVENUE	EXPENDITURES REVENUE				
GENERAL FUNDS		See below		See below			
CASH FUNDS		See below		See below			
FEDERAL FUNDS							
OTHER FUNDS							
TOTAL FUNDS		See below		See below			

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

LB 218 amends the definition of tangible personal property for purposes of the Nebraska Revenue Act of 1967 to exclude electric generation, transmission, distribution, and street lighting structures or facilities owned by a political subdivision. The bill also clarifies, in the definition of gross receipts, that the lease or use of electric generation, transmission, distribution, or street lighting structures or facilities owned by a political subdivision is not included in gross income received for installation, construction, servicing, or removal of property related to providing public utility services.

## Revenue:

The Department of Revenue estimates revenue to the General Fund, State Highway Capital Improvement Fund, and Highway Allocation Fund as follows:

	General Fund	State Highway Capital Improvement Fund	Highway Allocation Fund
FY 2019-2020	(\$1,604,000)	(\$59,000)	(\$10,000)
FY 2020-2021	(\$1,785,000)	(\$72,000)	(\$13,000)
FY 2021-2022	(\$1,820,000)	(\$74,000)	(\$13,000)

However, notwithstanding the estimates from the department, Omaha Public Power District estimates the bill will decrease their expenditures by \$4.8 million in FY20 and \$4.2 million in FY21. OPPD's estimates are based on the estimated amount of sales tax due on projected costs of tangible property and gross receipts that would be redefined under the bill. Assuming OPPD's estimate can be expanded to other public utilities, the total statewide impact could be up to \$9 million per fiscal year.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE						
LB: 218 AM: AGENCY/POLT. SUB: Omaha Public Power District						
REVIEWED BY:	Lee Will	DATE: 1/22/2019	PHONE: (402) 471-4175			
COMMENTS: No basis to disagree with OPPD's assessment of fiscal impact.						

## LB 218 Fiscal Note 2019

State Agency Estimate							
State Agency Name: Department of Revenue Date Due LFA: 02/19/2019							
Approved by: Tony Fulton Date Prepared: 02/18/2019 Phone: 471-5896							
	FY 2019	-2020	FY 2020	-2021	FY 202	21-2022	
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue	
General Funds	\$0	(\$1,604,000)	\$0	(\$1,785,000)	\$0	(\$1,820,000)	
Cash Funds		(\$59,000)		(\$72,000)		(\$74,000)	
Federal Funds							
Other Funds		(\$10,000)		(\$13,000)		(\$13,000)	
Total Funds	\$0	(\$1,673,000)	\$0	(\$1,860,000)	\$0	(\$1,907,000)	

LB 218 amends the definition of tangible personal property and gross receipts. The definition of tangible personal property is amended to specifically exclude electric generation, transmission, distribution, and street lighting structures or facilities owned by a political subdivision of the state from the definition of trade fixture. This would effectively make these systems real property, the sale or lease of which would be exempt from sales tax.

The definition of gross receipts of persons engaged as a public utility, community antenna television service operator, or as a satellite service operator or any person involved in collecting and stalling services would be amended to exclude receipts generated from the lease or use of electric generation, transmission, distribution, or street lighting structures or facilities owned by a political subdivision of the state. This change would exempt these charges from sales and use taxes.

The estimated total reduction to the General Fund would be as follows:

	General Fund	State Highway Capital Improvement Fund	Highway Allocation Fund
FY 2019-2020	\$1,604,000	\$59,000	\$10,000
FY 2020-2021	\$1,785,000	\$72,000	\$13,000
FY 2021-2022	\$1,820,000	\$74,000	\$13,000

It is estimated that the Department can administer this bill with existing staff.

Major Objects of Expenditure									
Class Code	Classification Title	19-20 <u>FTE</u>	20-21 <u>FTE</u>	21-22 <u>FTE</u>	19-20 Expenditures	20-21 Expenditures	21-22 Expenditures		
Benefits									
Operating Costs									
	Travel								
Capital Outlay									
	Capital Improvements.								
Total									

<b>LB</b> <sup>(1)</sup>	218					FISCAL NOTE		
State Ag	ency OR P	Political S	ubdivision Name: (2)	Omaha Public Power District				
Prepare	d by: (3)	Jim An	nderson	Date Prepared: (4)		ne: (5) 402-636-3017		
		E	STIMATE PROVID	DED BY STATE AGEN	CY OR POLITICAL SUBD	DIVISION		
			FY 9	2019-20	FY	FY 2020-21		
			EXPENDITURES	REVENUE	EXPENDITURES	REVENUE		
GENER	AL FUN	DS	\$(4,767,121)		\$(4,209,675)			
CASH F	UNDS					-		
FEDER	AL FUNI	DS						
OTHER	R FUNDS							
TOTAL	FUNDS		\$(4,767,121)		\$(4,209,675)	<u> </u>		
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## **Explanation of Estimate:**

Estimated decreases in potential expenditures were based on projected capital expenditures by the district in 2019 and 2020. District identified projected costs that will be impacted by LB 218 and multiplied identified projected costs by general sales tax rate in District service area. Under new interpretation of Nebraska revenue statutes OPPD is exposed to additional sales tax on previously not taxed contractor labor for work done to be believed on Real Property projects as opposed to Personal Property projects under new interpretation. LB218 clarifies Nebraska revenue statutes to be consistent with prior year interpretations.

BREAKD	OWN BY MAJO	OR OBJECTS OF	EXPENDITURE	
Personal Services:				
	NUMBER OF	POSITIONS	2019-20	2020-21
POSITION TITLE	<u>19-20</u>	<u>20-21</u>	<b>EXPENDITURES</b>	<b>EXPENDITURES</b>
Benefits				
Operating	•••		\$(1,133,810)	\$(1,106,412)
Travel				
Capital outlay				
Aid				
Capital improvements			\$(3,633,311)	\$(3,103,263)
TOTAL			\$(4,767,121)	\$(4,209,675)