

ONE HUNDRED SECOND LEGISLATURE - SECOND SESSION - 2012
COMMITTEE STATEMENT
LB1050

Hearing Date: Thursday February 09, 2012
Committee On: Revenue
Introducer: Cornett
One Liner: Provide a sales and use tax incentive for procurement processing companies

Roll Call Vote - Final Committee Action:
Advanced to General File

Vote Results:

Aye:	5	Senators Brasch, Cornett, Fischer, Hadley, Pirsch
Nay:	2	Senators Adams, Schumacher
Absent:		
Present Not Voting:	1	Senator Louden

Proponents:

Sen. Abbie Cornett
Walt Radcliffe
Gerry Ridgely
Ron Sedlacek

Representing:

Introducer
Ryan, LLC
Ryan, LLC
NE/Omaha Chamber of Commerce

Opponents:

Representing:

Neutral:

Representing:

Summary of purpose and/or changes:

LB 1050 creates a new statute section (as part of the Nebraska Revenue Act of 1967) authorizing the Tax Commissioner to enter into a contract with a "procurement processing company" (PPC) in which the PPC agrees to locate its business operations in Nebraska in exchange for a rebate of Nebraska state sales and use taxes (not local option sales taxes) by "purchasing companies" that are managed by the PPC, if the governor determines that the contract is in the best interest of the State of Nebraska (the Governor must base that determination on the new taxable sales that would be generated as a result of the contract). LB 1050 also provides that such a contract with a PPC cannot exceed an initial term of 20 years. [LB 1050, sec. 1 and sec. 2 (3), (4), and (5).]

The stated legislative intent of LB 1050 is that the sales and use tax rebate incentive is to be "used solely to induce" PPCs to locate in Nebraska, "resulting in significant new sales tax revenue" generated for the State of Nebraska. [LB 1050, sec. 2 (1).]

LB 1050 defines four key terms and phrases, including: affiliated entity; new taxable sales ("sales of property and services" upon which Nebraska sales and use taxes are paid and which occur in Nebraska "as a result of the operation" in Nebraska of a PPC); procurement processing company ("a person engaged in managing the activities of unrelated purchasing companies"); and purchasing company ("a person engaged in the activity of selling property and services to affiliated entities"). [LB 1050, sec. 2 (2) (a) through (d).]

LB 1050 provides that contracts entered into pursuant the new statute section are not subject to Neb. Rev. Stat. secs. 73-501 to 73-509, which govern state contracts for services, and are not subject to Neb. Rev. Stat. secs. 73-201 to

73-204, which govern contracts-including contingency fee contracts-entered into on behalf of the state. [LB 1050, sec. 2 (6).] However, purchasing companies would be subject to the reporting, audit, enforcement, and confidentiality provisions of the Nebraska Revenue Act of 1967 that apply to other sellers in Nebraska (LB 1050 prohibits the State of Nebraska from contractually waiving that requirement). [LB 1050, sec. 2 (7).]

The Tax Commissioner must submit a report to the Legislature on or before July 1 each year regarding any contract entered into under the new statute section showing the total sales occurring in Nebraska as a result of LB 1050 and total sales tax revenue generated by those sales. [LB 1050, sec. 2 (8).]

Finally, LB 1050 repeals the current version of the existing statute amended by section 1 of the bill (Neb. Rev. Stat. sec. 77-2701). [LB 1050, sec. 3.]

Abbie Cornett, Chairperson