

Doug Gibbs January 17, 2012 402-471-0051

# LB 727

## Revision: 00 FISCAL NOTE LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *							
	FY 2012-13 FY 2013-14						
	EXPENDITURES	ENDITURES REVENUE EXPENDITURES REVENUE					
GENERAL FUNDS	(\$117,000)		(\$117,000)				
CASH FUNDS		See below		See below			
FEDERAL FUNDS							
OTHER FUNDS							
TOTAL FUNDS	(\$117,000)		(\$117,000)				

\*Does not include any impact on political subdivisions. See narrative for political subdivision estimates.

LB 727 is the Department of Revenue's annual bill and makes a number of changes to numerous sections of statute. The bill contains the emergency clause.

The bill eliminates the certified or registered mailing requirement in a number of statutes and by amending Section 77-27,135 to include first-class mail gives the Department that mailing option.

The Department of Revenue estimates that eliminating this requirement will save the Department approximately \$117,000 in General Funds each year.

There is no basis to disagree with the Department's estimate of savings.

The bill outright repeals Section 66-737 which thereby eliminates the Cash Bond Fund Committee. This Committee was originally set up to oversee the operation of the motor fuel trust fund set up in Section 66-733. The trust fund consists of the cash bonds furnished by all motor fuel producers, suppliers, distributors, importers and retailers to secure payment of all fuel taxes.

Elimination of the Cash Bond Fund Committee has no fiscal impact.

The bill reduces certain motor fuel tax commissions by disallowing any commissions for taxes collected as a result of a final assessment occurring pursuant to a notice of deficiency determination.

The Department estimates that reducing these commissions will increase the Highway Trust Fund by \$10,000 per year.

There is no basis to disagree with the Department's estimate.

LB 727 changes the due date for motor fuel tax returns from the 25<sup>th</sup> of the month to the 20<sup>th</sup> of the month. This will harmonize the motor fuels tax returns with other tax programs.

The Department estimates, using LB 210 (2011) as a guide, that this change will result in increased interest earned for the Highway Trust Fund of approximately \$96,000 for FY12-13 and \$151,000 each fiscal year thereafter.

While we do not disagree with the Department's estimate of revenue, it should be noted that obtaining a precise figure of interest gained is difficult due to the variables involved; a daily analysis of revenue and interest, done over the period of a year, would probably be necessary to provide a relatively exact figure and even then would be dependent on changing interest rates over the period examined, market fluctuations, and actual revenue collected. Also using LB 210 (2011) as a guide, the Department's estimate of \$96,000 in additional interest may be a conservative estimate.

The bill amends Section 66-489.02 to change the data base used by the Department to calculate the average wholesale price of gasoline. With the change proposed by LB 727, the Department will now use data provided by the State Energy Office instead of data provided by the U.S. Department of Energy's Energy Information Administration.

The Department estimates this change will increase revenue to the Department of Roads Cash Fund by \$154,000 per year. In actuality, the variable fuel tax will decrease to offset any increase in the wholesale tax, for a net revenue impact of zero for the Department of Roads. The Department of Revenue's estimate of increased revenue also assumes that the one cent cap on the change in the wholesale tax from one six-month period to another does not come in to play.

It should be noted that the U.S. Department of Energy's Energy Information Administration will no longer provide this information.

LB 727 amends Section 77-3,116 to change the due date for the Tax Burden Study and provide that the study be updated every two years instead of every four years and that the next update will be due December 1, 2013.

The Department indicates no fiscal impact as a result of this change.

There is no basis to disagree with the Department's estimate.

The bill amends Section 77-2704.10 to clarify language regarding the sales and use tax exemption for prepared food and food ingredients served by schools, school districts, student organizations, or parent-teacher associations, and institutions of higher education.

The Department estimates this clarification will have minimal revenue impact on the General Fund.

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

Overall, the Department of Revenue estimates no cost to implement the provisions of LB 727.

We agree with the Department's estimate of cost to implement LB 727.

Included below is the Department's estimate of the effect in changing the data bases for the wholesale gasoline price calculation.

Wholesale Tax Source Comparison Nebraska Energy Office (NEO) v U.S. Energy Information Administration (DOE)

Effective	Projected Wholesale Tax NEO Data:	Actual Wholesale Tax DOE Data:	Difference	Net Impact to Dept. of Roads:	Net Impact to Cities & Counties:	Total Projected Impact:
7/1/2009 1/1/2010 7/1/2010 1/1/2011 7/1/2011 Total:	9.8 8.8 9.8 10.8 11.3	9.7 8.7 9.7 10.7 11.3	0.1 0.1 0.1 0.1 0.0	\$96,000 \$96,000 \$96,000 \$96,000 \$ 0 \$384,000	\$204,000 \$204,000 \$204,000 \$204,000 \$ 0 \$816,000	\$300,000 \$300,000 \$300,000 \$300,000 \$ 0 \$1,200,000
Fiscal Year A	verage:			\$153,600	\$326,400	\$480,000

The 7/1/2011 data reflects the last available data from DOE.

DEPARTMENT OF ADMINISTRATIVE SERVICES						
	REVIEWED BY	Lyn Heaton	DATE 1/17/12	PHONE 471-2526		
COMMENTS						
DEPARTMENT OF REVENUE: No basis upon which to disagree.						
1						

### RECEIVED

#### JAN 1 0 2012

Note	2012
.FA: 1/	/13/12
-5700	
FY 2014-2015	
nditures	Revenue
117,000)	
	\$ 315,000
117,000)	\$ 315,000
\$	\$ 117,000)

LB 727 eliminates certified mailing requirements for the Department; eliminates the Cash Bond Fund Committee; eliminates motor fuels commissions resulting from deficiency assessments; changes the due date for motor fuels tax returns from the 25th to the 20th of the month following the prior reporting period; updates the wholesale gasoline tax calculation; changes the due date for the Tax Burden Study; and clarifies the sales tax exemption for sales of prepared food by parent or student organizations at elementary or secondary schools.

Eliminating certified mailing requirements results in a cost savings to the Department of \$117,000 per year.

Eliminating the Cash Bond Fund Committee does not change tax rates or bases and has no revenue impact on the General Fund.

Reducing Motor Fuels commissions is expected to increase the Highway Cash Fund by \$10,000 per year.

Harmonizing the due date for motor fuels tax returns with other tax programs would not change tax rates or bases. Using LB 210 from 2011 as a guide, due to increased interest for the Highway Cash Fund the expected impact would be \$96,000 for FY 2012-13 and \$151,000 for each FY thereafter.

Updating the wholesale gasoline tax calculation by using Nebraska Energy Office (NEO) data instead of Department of Energy (DOE) data would impact the Department of Roads Cash Fund by \$154,000 per year. See page 2 for a detailed analysis.

Changing the due date for the Tax Burden Study has no revenue impact on the General Fund, as it will increase staff efficiencies.

Clarifying the sales tax exemption will have a minimal revenue impact on the General Fund.

It is estimated there will be no cost to the Department to implement this bill.

LB 727 includes the emergency clause.

Major Objects of Expenditure								
<u>Class Code</u>	Classification Title	12-13 <u>FTE</u>	13-14 <u>FTE</u>	14-15 <u>FTE</u>	12-13 Expenditures	13-14 <u>Expenditures</u>	14-15 Expenditures	
Benefits.								
Operating Costs								
Travel.								
Capital Outlay								
2.4								
apital Improvements								
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	Projected	Actual		Net	Net	
	Wholesale	Wholesale		Impact to	Impact to	Total
Effective	Tax	Tax		Dept of	Cities &	Projected
Date	NEO Data	DOE Data	Difference	Roads	Counties	Impact
7/1/2009	9.8	9.7	0.1	\$96,000	\$204,000	\$300,000
1/1/2010	8.8	8.7	0.1	\$96,000	\$204,000	\$300,000
7/1/2010	9.8	9.7	0.1	\$96,000	\$204,000	\$300,000
1/1/2011	10.8	10.7	0.1	\$96,000	\$204,000	\$300,000
7/1/2011 <sup>1</sup>	11.3	11.3	0.0	\$0	\$0	\$0
Total				\$384,000	\$816,000	\$1,200,000
Fiscal Year	average			\$153,600	\$326,400	\$480,000

Wholesale Tax Source Comparison Nebraska Energy Office (NEO) v US Energy Information Administration (DOE)

<sup>1</sup> This reflects the last available data from DOE.