

Revised to correct General Fund impact.

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2017-18		FY 2018-19	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$11,176	(\$3,111,924)	\$0	(\$30,279,545)
CASH FUNDS		\$97,577,924		\$298,574,545
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$11,176	\$94,466,000	\$0	\$268,295,000

Any Fiscal Notes received from state agencies and political subdivisions are attached following the Legislative Fiscal Analyst Estimate.
 LB 313 amends the Nebraska Revenue Act of 1967.

Section 77-27-1.02 is amended to increase the state sales tax rate from 5.5% to 6.5%, effective January 1, 2018.

Section 77-2715.07 is amended to increase the Earned Income Tax Credit from 10% of the federal credit to 17% of the federal credit, beginning with tax year 2018.

Section 77-27,132 is amended to create the Excess Revenue Property Tax Credit Fund, which is to be credited with the net increase in state tax revenue received as a result of the changes made by LB 313, as determined annually by the Tax Commissioner.

The Fund is to be used to provide a property tax credit to owners of real property.

The amount to be disbursed to each county is equal to the amount in the Fund multiplied by the ratio of the real property valuation in each county to the real property valuation in the state. To determine the amount of the credit, the county treasurer is to multiply the amount disbursed to the county by the ratio of the real property valuation of the parcel to the total real property valuation in the county.

If a property owner qualifies for the homestead exemption, they shall also be qualified for the property tax credit to the extent of any remaining liability after receiving the homestead exemption tax relief. Any unused amounts are to be returned to the State Treasurer and credited to the Excess Revenue Property Tax Credit Fund.

LB 313 would also increase the amount of sales tax throwback under the Sports Arena Facility Financing Assistance Act (SAFFAA) and the Convention Center Facility Financing Assistance Act (CCFFAA), which reduces revenue to the General Fund.

The Department of Revenue estimates the following fiscal impact of LB 313:

Fiscal Year:	Excess Revenue Property Tax Credit Fund:	General Fund:	Highway Cash Fund:	Highway Allocation Fund: (Local)	Game and Parks Commission Capital Maintenance Fund:	Sales Tax Throwback: (SAFFAA) (CCFFAA):
2017-18:	\$ 95,140,000	(\$ 3,111,924)	\$ 653,000	\$ 674,000	\$ 880,000	\$ 904,924
2018-19:	\$ 293,266,000	(\$ 30,279,545)	\$ 1,642,000	\$ 1,694,000	\$ 930,000	\$ 2,736,545
2019-20:	\$ 303,779,000	(\$ 29,474,273)	\$ 1,634,000	\$ 1,685,000	\$ 240,000	\$ 2,811,273
2020-21:	\$ 315,320,000	(\$ 29,481,182)	\$ 1,575,000	\$ 1,625,000	\$ 0	\$ 2,888,182

LB 313 requires any increase in sales tax revenue to be applied to the Excess Revenue Property Tax Credit Fund. Current law requires all sales tax on motor vehicles, All-Terrain vehicles, Utility-type vehicles, and motorboats to be applied to the Highway Allocation Fund, the Highway Cash Fund, and the Game and Parks Commission Capital Maintenance Fund. The estimated increased sales tax revenue associated with these sales for FY2018-19, for example, of \$4,300,000 will also be applied to that Fund resulting in a \$4,300,000 loss to the General Fund. The negative impact to the General Fund also includes the increase in the Earned Income Tax Credit.

The Department of Revenue indicates a one-time programming cost of \$11,176 paid to the Office of the CIO to change the sales tax rate.

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

IMPACT TO POLITICAL SUBDIVISIONS: The fiscal impact to the Highway Allocation Fund is as follows:

FY2017-18:	\$ 674,000
FY2018-19:	\$ 1,694,000
FY2019-20:	\$ 1,685,000
FY2020-21:	\$ 1,625,000

State Agency Estimate

State Agency Name: Department of Revenue

Date Due LFA: 2/17/2017

Approved by: Tony Fulton

Date Prepared: 2/22/2017

Phone: 471-5896

	FY 2017-2018		FY 2018-2019		FY 2019-2020	
	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>
General Funds	\$11,176	\$(3,111,924)		\$(30,279,545)		\$(29,474,273)
Cash Funds		\$96,473,000		\$295,838,000		\$305,653,000
Federal Funds						
Other Funds		\$1,578,924		\$4,430,545		\$4,496,273
Total Funds	\$11,176	\$96,673,000		\$295,838,000		\$305,653,000

LB 313 would increase the state sales tax rate from 5.5% to 6.5% beginning January 1, 2018. The revenue generated would be deposited in a new fund called the Excess Revenue Property Tax Credit Fund and distributed as property tax credits in the same way the current property tax credit is distributed.

LB 313 would also amend Neb. Rev. Stat. § 77-2715.07 to increase the refundable earned income tax credit from 10% of the federal credit amount to 17% beginning with taxable year 2018.

LB 313 would have the following impact on the General Fund and Cash Fund revenues.

FY	Excess Revenue Property Tax Credit Fund	General Fund	Highway Allocation Fund	Highway Cash Fund	Game & Parks Commission Capital Maintenance Fund	C & S Turnback
FY16-17	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
FY17-18	\$ 95,140,000	\$ (3,111,924)	\$ 674,000	\$ 653,000	\$ 880,000	\$ 904,924
FY18-19	\$293,266,000	\$ (30,279,545)	\$ 1,694,000	\$ 1,642,000	\$ 930,000	\$ 2,736,545
FY19-20	\$303,779,000	\$ (29,474,273)	\$ 1,685,000	\$ 1,634,000	\$ 240,000	\$ 2,811,273
FY20-21	\$315,320,000	\$ (29,481,182)	\$ 1,625,000	\$ 1,575,000	\$ -	\$ 2,888,182

LB 313 requires any increase in sales tax revenues to be applied to the Excess Revenue Property Tax Credit Fund. Current law requires all sales tax on motor vehicles, ATVs, UTVs and Motor Boats to be applied to the Highway Allocation Fund, the Highway Cash Fund, and the Game and Parks Commission Capital Maintenance Fund. The estimated increased sales tax revenues associated with these sales for FY 2018-19, for example, of \$7,000,000 will also be applied to the Excess Revenue Property Tax Credit Fund resulting in a \$7,700,000 loss to the General Fund. The negative impact to the General Fund also includes the increase in the Earned Income Tax Credit.

LB 313 would require a one-time programming cost of \$11,176 paid to the OCIO to change the sales tax rate.

Major Objects of Expenditure

<u>Class Code</u>	<u>Classification Title</u>	<u>17-18 FTE</u>	<u>18-19 FTE</u>	<u>19-20 FTE</u>	<u>17-18 Expenditures</u>	<u>18-19 Expenditures</u>	<u>19-20 Expenditures</u>
	Benefits.....						
	Operating Costs.....				\$11,176	\$0	\$0
	Travel.....						
	Capital Outlay.....						
	Aid.....						
	Capital Improvements.....						
	Total.....				\$11,176	\$0	\$0