

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		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 468 amends the Nebraska Revenue Act of 1967 and changes several other sections of statute dealing with taxation.

Sections 77-202, 77-1238, and 77-1239 are amended to suspend the personal property tax exemption for tax years 2018 and 2019.

Section 77-2715.03 is amended to suspend the income tax bracket inflation adjustment for tax years 2018 and 2019.

Section 77-2715.09 is amended to suspend the special capital gains subtraction from federal adjusted gross income allowed for the sale or exchange of stock acquired by the taxpayer on account of employment for tax years 2018 and 2019.

Section 77-27,132 is amended to redirect the revenue from sales and use taxes on the sales or lease of motor vehicles, trailers, and semitrailers from the Highway Trust Fund to the General Fund for FY 2017-18 and FY2018-19.

Section 77-27,132 is further amended to eliminate the credit of sales and use taxes to the Game and Parks Commission Capital Maintenance Fund of the proceeds from sales or lease of motorboats, personal watercraft, all-terrain vehicles, and utility-type vehicles after July 1, 2017.

Section 77-4212 is amended regarding the intent of the Legislature to fund the Property Tax Credit Act. For tax years prior to the 2019 tax year the intent would be to fund the credit using “available revenue.” For tax year 2019, the intent would be to provide \$224 million to fund the credit. In addition, for tax years prior to tax year 2019, the formula used to determine the amount available for disbursement to each county would revert to the formula used prior to the passage of LB 958 (2016). For tax years 2019 and thereafter the formula specified in LB 958 would go back into effect.

The bill contains the emergency clause.

The Department of Revenue has estimated the following fiscal impact as a result of the provisions of LB 468:

Fiscal Year:	Income Tax Changes: (General Fund)	Highway Trust Fund: (Cash Fund)	Game & Parks Commission Capital Maintenance Fund: (Cash Fund)	Personal Property Tax Credit: (Cash Fund)	General Fund:
2017-18:	\$ 8,354,000	(\$252,000,000)	(\$4,845,000)	(\$15,200,000)	\$ 280,399,000
2018-19:	\$ 37,648,000	(\$260,000,000)	(\$5,153,000)	(\$16,200,000)	\$ 319,001,000
2019-20:	\$ 32,174,000	\$ 0	(\$1,330,000)	\$ 0	\$ 33,504,000

The language regarding the Property Tax Credit Act in Section 77-4212 is legislative intent and not an appropriation, so the fiscal impact of changing the date makes the amount available for the tax credit dependent on action taken by the Legislature to appropriate funds for the credit. As noted above, the language in 77-4212 that would now apply is “using available revenue.” Therefore, the impact of changing the date in 77-4212 is variable, in that the Legislature could choose to fund the credit at the current level, a reduced amount, an increased amount, or not at all.

However, based on previous experience we believe the current level of funding for the credit would probably remain at \$224 million. If that is the case, it would have the following fiscal impact:

Fiscal Year:	Property Tax Credit Cash Fund:	General Fund:
2017-18:	(\$224,000,000)	\$224,000,000
2018-19:	(\$224,000,000)	\$224,000,000
2019-20:	\$ 0	\$224,000,000

Including the potential impact of the property tax credit, the impact is as follows:

Fiscal Year:	All Cash Funds:	Income Tax Changes:	General Fund:
2017-18:	(\$ 496,045,000)	(\$ 8,354,000)	\$ 504,399,000
2018-19:	(\$ 505,353,000)	(\$ 37,648,000)	\$ 543,001,000
2019-20:	(\$ 1,330,000)	(\$ 32,174,000)	\$ 33,504,000

The Department of Revenue estimates there will be minimal costs to implement the provisions of LB 468.

We agree with the Department of Revenue's estimate of cost.

The Game and Parks Commission estimates a total reduction of \$9,450,000 in the Game and Parks Commission Capital Maintenance Fund.

The Department of Roads estimates the following fiscal impact:

Fiscal Year:	Highway Cash Fund:	Highway Allocation Fund:	Total:
2017-18:	(\$ 114,000,000)	(\$ 100,000,000)	(\$ 214,000,000)
2018-19:	(\$ 114,000,000)	(\$ 100,000,000)	(\$ 214,000,000)
2019-20:	\$ 0	\$ 0	\$ 0

FISCAL IMPACT:

We estimate the following fiscal impact of LB 468:

Fiscal Year:	Cash Funds:	Income Tax Changes:	General Fund:
2017-18:	(\$ 477,045,000)	(\$ 8,354,000)	\$ 485,399,000
2018-19:	(\$ 482,353,000)	(\$ 37,648,000)	\$ 520,001,000
2019-20:	(\$ 1,330,000)	(\$ 32,174,000)	\$ 33,504,000

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE

LB: 468 AM: AGENCY/POLT. SUB: Game and Parks Commission

REVIEWED BY: Lyn Heaton DATE: 2/13/2017 PHONE: (402) 471-4181

COMMENTS: According to Department of Revenue data, the amount of sales tax revenue from motorboat and ATV/UTV sales and leases redirected from the General Fund to the Commission's Capital Maintenance Fund during FY 2015-16 was \$4.2 million as was noted in the text of the Commission's fiscal note. The \$9.45 million annual amount included in the table at the top the Commission's fiscal note is incorrect.

Please complete ALL (5) blanks in the first three lines.

2017

LB⁽¹⁾ 468

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Nebraska Game and Parks Commission

Prepared by: ⁽³⁾ Patrick H. Cole Date Prepared: ⁽⁴⁾ 1/23/2017 Phone: ⁽⁵⁾ (402) 471-5523

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2017-18</u>		<u>FY 2018-19</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____ ? _____	_____	_____ ? _____
CASH FUNDS	_____	_____ (\$ 9,450,000) _____	_____	_____ (\$ 9,450,000) _____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____ ? _____	_____	_____ ? _____
TOTAL FUNDS	=====	=====	=====	=====

Explanation of Estimate:

The proposed legislation, among other things, would move up the sunset clause on the deposit of sales and use taxes imposed on the sale or lease of motorboats and all-terrain/utility-type vehicles into the Game and Parks Commission Capital Maintenance (CMF) Fund. The current sunset date is before October 1, 2019, the proposed legislation moves that up to before July 1, 2017. This would eliminate approximately 27 months (2.25 FY's) of revenues into the CMF Fund which is used to help cover an estimated 30+ million dollar back log of deferred maintenance projects.

Some \$4.2 million was deposited into the CMF Fund during FY15-16. Assuming similar amounts each FY, this could eliminate (4.2 x 2.25) \$9.45 million potential revenues from the CMF Fund. This would have a significant impact on the agency's ability to address deferred maintenance needs. The taxes collected would presumably be deposited into the General Fund.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2017-18</u>	<u>2018-19</u>
	<u>17-18</u>	<u>18-19</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____

State Agency Estimate

State Agency Name: Department of Revenue		Date Due LFA: 2/13/2017				
Approved by: Tony Fulton		Phone: 471-5896				
Date Prepared: 2/10/2017						
	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		\$ 504,399,000		\$ 543,001,000		\$ 33,504,000
Cash Funds		(\$ 496,045,000)		(\$ 505,353,000)		(\$ 1,330,000)
Federal Funds						
Other Funds						
Total Funds		\$ 8,354,000		\$ 37,648,000		\$ 32,174,000

LB 468 creates a two-year moratorium for tax years 2018 and 2019 on income tax rate indexing and making the extraordinary dividends or special capital gains election. LB 468 limits the credit to the Game and Parks Commission Capital Maintenance Fund of sales and use taxes on motor boats, personal watercraft, ATVs and UTVs to transactions occurring before July 1, 2017 and the credit to the Highway Trust Fund of sales and use taxes on motor vehicles, trailers, and semi-trailers to transactions occurring before July 1, 2017, and on or after July 1, 2019,

LB 468 also creates a two-year moratorium on the Personal Property Tax Credit Act (the \$10,000 exemption) and the Real Property Tax Credit Act, for tax years 2018 and 2019. It also changes the effective date for the additional real property tax credit monies from LB 958 (2016) to the 2019 tax year.

It is estimated that the impact to General Fund revenues as a result of income tax changes will be as follows:

Fiscal Year	Income Tax Changes
2017-18	\$ 8,354,000
2018-19	\$ 37,648,000
2019-20	\$ 32,174,000

It is estimated that the reduction to the Game and Parks Commission Capital Maintenance Fund and Highway Trust Fund will be as follows:

Fiscal Year	Game and Parks Commission Capital Maintenance Fund		Highway Trust Fund	Total Game & Parks and Highway Trust Fund Reductions
	Motor boats	ATV/UTVs		
2017-18	(\$ 3,510,000)	(\$ 1,335,000)	(\$ 252,000,000)	(\$ 256,845,000)
2018-19	(\$ 3,700,000)	(\$ 1,453,000)	(\$ 260,000,000)	(\$ 265,153,000)
2019-20	(\$ 970,000)	(\$ 360,000)	\$ 0	(\$ 1,330,000)

It is estimated that the reduction in Property Tax Credits will be as follows:

Fiscal Year	Personal Property Tax Credit	Real Property Tax Credit	Total Property Tax Credit Reductions
2017-18	(\$ 15,200,000)	(\$ 224,000,000)	(\$ 239,200,000)
2018-19	(\$ 16,200,000)	(\$ 224,000,000)	(\$ 240,200,000)
2019-20	\$ 0	\$ 0	\$ 0

It is estimated that the total impact to General Fund revenues and Cash Fund revenues will be as follows:

Fiscal Year	Total Reduction in Cash Funds	Income Tax Changes	Total Increase to General Funds
2017-18	(\$ 496,045,000)	\$ 8,354,000	\$ 504,399,000
2018-19	(\$ 505,353,000)	\$ 37,648,000	\$ 543,001,000
2019-20	(\$ 1,330,000)	\$ 32,174,000	\$ 33,504,000

It is estimated that there will be minimal costs to the Department to implement this bill.

This bill contains an emergency clause and becomes law upon signing.

Major Objects of Expenditure

Class Code	Classification Title	17-18	18-19	19-20	17-18	18-19	19-20
		FTE	FTE	FTE	Expenditures	Expenditures	Expenditures
Benefits.....							
Operating Costs.....							
Travel.....							
Capital Outlay.....							
Aid.....							
Capital Improvements.....							
Total.....							

Please complete ALL (5) blanks in the first three lines.

2017

LB⁽¹⁾ 468

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Nebraska Department of Roads

Prepared by: ⁽³⁾ Becky Fleming Date Prepared: ⁽⁴⁾ 2/10/2017 Phone: ⁽⁵⁾ (402) 479-4692

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2017-18</u>		<u>FY 2018-19</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	(\$114,000,000)	_____	(\$114,000,000)
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	=====	=====	=====	=====

Explanation of Estimate:

LB 468 changes provisions for Dept. of Roads relating to the distribution of sales and use taxes derived from the sale or lease for the periods of more the thirty-one days of motor vehicles, trailers and semitrailers for transactions occurring before July 1, 2017 and on or after July 1, 2019.

Sales tax of 5 ½% on motor vehicles are collected by county treasurers with revenue from 5% remitted to the Highway Trust Fund which is distributed 53 1/3% to the Highway Cash Fund (for the Department of Roads) and 46 2/3% to the Highway Allocation Fund (for the cities and counties equally). The revenue from the ½% sales tax is remitted to the Highway Allocation fund.

Based on FY2016 data, Dept. of Roads received \$113,970,000 in sales tax revenue. If this bill were to pass, Dept. of Roads would lose approximately \$114,000,000 in revenue to the Highway Cash Fund in each fiscal year. Cities and Counties combined would lose approximately \$100,000,000 in each fiscal year.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2017-18</u>	<u>2018-19</u>
	<u>17-18</u>	<u>18-19</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	=====	=====	=====	=====