

FISCAL NOTE
 LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2022-23		FY 2023-24	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	See below	See below		See below
CASH FUNDS		See below		See below
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	See below	See below		See below

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

LB 944 amends provisions related to sales tax.

Under LB 944, beginning on July 1, 2023, the sales tax rate levied on the furnishing of electrical services is to be separate from the tax rate on all other transactions, which remains at 5.5%.

The sales tax rate on furnishing electrical services is to be determined by a statewide carbon intensity factor. Carbon intensity factor has the same definition as The Climate Registry’s Electric Power Sector Protocol as of January 1, 2022, and statewide carbon intensity factor is the average factor of all providers in the state.

Beginning 2023 and each year after, each provider of electrical services is to calculate and submit their own carbon intensity factor to the Department of Revenue. The Tax Commissioner will then calculate the statewide carbon intensity factor.

The sales tax rate for 2023 will be set at 5.5%. For each year after, the Tax Commissioner shall reassess the statewide carbon intensity factor and compare it to the 2023 factor. The rate will then be set based on the current statewide carbon intensity factor as a percentage of the 2023 factor, as follows:

- Between 80 and 100 percent: 4.5%
- Between 60 and 80 percent: 3.5%
- Between 40 and 60 percent: 2.5%
- Between 20 and 40 percent: 1.5%
- Less than 0 percent: 0%

The bill is operative July 1, 2023.

The Department of Revenue estimates the bill to have a negative, undeterminable impact on General Fund revenue. A portion of the state sales tax is also credited to the State Highway Capital Improvement Fund and the Highway Allocation Fund, pursuant to the Build Nebraska Act, so there will also be a negative, undeterminable impact on Cash Fund revenue and revenue allocated to cities and counties.

The department estimates a one-time cost of \$103,766 to OCIO for programming.

There is no basis to disagree with these estimates.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB: 944	AM:	AGENCY/POLT. SUB: Department of Revenue	
REVIEWED BY: Neil Sullivan	DATE: 2/22/2022	PHONE: (402) 471-4179	
COMMENTS: No basis to disagree with the Department of Revenue assessment of implementation impact and indeterminate revenue impact from LB 944.			

- If the current statewide carbon intensity factor is at least 40% but less than 60% of the statewide carbon intensity factor determined in 2023, the sales tax rate will be 2.5%.
- If the current statewide carbon intensity factor is at least 20% but less than 40% of the statewide carbon intensity factor determined in 2023, the sales tax rate will be 1.5%.
- If the current statewide carbon intensity factor is less than 20% of the statewide carbon intensity factor determined in 2023, the furnishing of electricity service will be exempt from sales tax.

LB 944 will have an undeterminable, negative effect on General Fund revenues.

The bill will require a one-time programming charge of \$103,766 paid to the OCIO for mainframe programming Costs, adding a second tax rate, forms changes, and changes to NebFile.

The operative date for this bill is July 1, 2023.

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

2022

LB⁽¹⁾ 944

FISCAL NOTE

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

Prepared by: ⁽³⁾ Jenessa Boynton Date Prepared: ⁽⁴⁾ 2/22/2022 Phone: ⁽⁵⁾ 402-479-4691

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2022-23</u>		<u>FY 2023-24</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	=====	=====	=====	=====

Explanation of Estimate:

LB 944 amends section 77-2701.02 to provide a mechanism for a lower state sales tax rate to be imposed on the furnishing of electricity service than the five and one-half percent rate currently in place. Effective July 1, 2023, the rate on the furnishing of electricity service would be based on the "statewide carbon intensity factor" determined by the Department of Revenue (DOR) annually as outlined in the bill. Based on 2023 data, DOR would establish a baseline and in following years if the current statewide carbon intensity factor is less than the baseline a sliding scale lower sales tax rate will be imposed on furnishing of electricity service. The operative date is July 1, 2023.

According to the Department of Revenue, the bill will have no impact on the one quarter of 1% of sales tax that is directed to State Highway Capital Improvement Fund for NDOT and the Highway Allocation Fund for cities and counties under the Build Nebraska Act.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2022-23</u>	<u>2023-24</u>
	<u>22-23</u>	<u>23-24</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____