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LB 712

Revision: 01

Revised per Updated DOR Response

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2025-26		FY 2026-27	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$12,600	\$10,754,000		\$16,615,000
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$12,600	\$10,754,000		\$16,615,000

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

This fiscal note has been updated to reflect a revised response from the Department of Revenue (DOR), which also now includes calculations based on actual data for the first year of the tax on electronic nicotine delivery systems (ENDS).

Under LB 712, the tax on ENDS is 40% of the purchase price paid by the first owner or the price at which the first owner who made, manufactured, or fabricated the ENDS sells the item to others.

The DOR estimates the following increase to General Fund revenues as a result of the bill:

- FY26: \$10,754,000
- FY27: \$16,615,000
- FY28: \$17,113,000
- FY29: \$17,626,000

The DOR estimates minimal impact to the Highway Trust Fund and Highway Allocation Fund, which is distributed to cities and counties.

The DOR estimates a one-time programming charge of \$12,600 to be paid to the Office of the Chief Information Officer (OCIO) as a result of this bill.

There is no basis to disagree with these estimates by the DOR.

State Agency Estimate

State Agency Name: Department of Revenue				Date Due LFO:		
Approved by: James R. Kamm		Date Prepared: 04/04/2025		Phone: 471-5896		
	<u>FY 2025-2026</u>		<u>FY 2026-2027</u>		<u>FY 2027-2028</u>	
	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>
General Funds	\$12,600	\$10,754,000		\$16,615,000		\$17,113,000
Cash Funds						
Federal Funds						
Other Funds						
Total Funds	\$12,600	\$10,754,000		\$16,615,000		\$17,113,000

Revised due to calculations error.

LB 712 would increase the tax rate on electronic nicotine delivery systems (ENDS). Currently, ENDS products containing three milliliters or less of consumable material is taxed at a rate of five cents per milliliter. ENDS products containing more than three milliliters are taxed at 10% of the purchase price.

LB 712 would eliminate the discrepancy in calculating tax rate based on the amount of consumable material. Instead, all ENDS including ENDS without consumable material would be taxed at a rate of 40% of the purchase price.

It is estimated that LB 712 will have the following impact on the General Fund revenues:

Fiscal Year	General Fund revenues
FY 2025-26	\$ 10,754,000
FY 2026-27	\$ 16,615,000
FY 2027-28	\$ 17,113,000
FY 2028-29	\$ 17,626,000

It is estimated that LB 712 will have minimal impact on the Highway Trust Fund and Highway Allocation Fund.

LB 712 will require a one-time programing charge of \$12,600 paid to the OCIO to implement necessary changes.

The operative date for this bill is three months after the adjournment of the legislature.

Major Objects of Expenditure

<u>Class Code</u>	<u>Classification Title</u>	<u>25-26 FTE</u>	<u>26-27 FTE</u>	<u>27-28 FTE</u>	<u>25-26 Expenditures</u>	<u>26-27 Expenditures</u>	<u>27-28 Expenditures</u>
Benefits.....							
Operating Costs.....					\$12,600		
Travel.....							
Capital Outlay.....							
Capital Improvements.....							
Total.....					\$12,600		