PREPARED BY: DATE PREPARED: PHONE: Douglas Gibbs February 22, 2018 402-471-0051

LB 1021

Revision: 00

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)							
	FY 201	8-19	FY 2019-20				
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE			
GENERAL FUNDS		\$279,126,000		\$1,776,643,000			
CASH FUNDS		\$10,316,000		\$65,659,000			
FEDERAL FUNDS							
OTHER FUNDS							
TOTAL FUNDS		\$289,442,000		\$1,842,302,000			

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

LB 1021 amends a number of Nebraska statutes to remove certain sales and use tax exemptions.

Sales and use tax exemptions are removed for the following:

- > Animal grooming performed by a licensed veterinarian or a licensed veterinary technician in conjunction with medical treatment;
- Use of certain energy sources and fuels for use directly in irrigation or farming;
- Water used for irrigation of agricultural lands and manufacturing purposes;
- Semen and insemination services;
- > Feed, water, veterinary medicines, and agricultural chemicals;
- > Food for human consumption; agricultural components; oxygen for aqualculture;
- Mineral oil applied to grain as a dust suppressant;
- > Agricultural machinery and equipment;
- > Repair or replacement parts for agricultural machinery and equipment used in commercial agriculture;
- > Depreciable repairs or parts for agricultural machinery or equipment.

The bill has an operative date of April 1, 2019.

The Department of Revenue estimates the following fiscal impact of LB 1021:

		State Highway Capital	Highway Allocation Fund	
Fiscal Year:	General Fund:	Improvement Fund:	(Local):	Total Impact:
2018-19:	\$ 279,126,000	\$ 10,316,000	\$ 1,820,000	\$ 291,262,000
2019-20:	\$ 1,776,643,000	\$ 65,659,000	\$ 11,587,000	\$ 1,853,889,000
2020-21:	\$ 1,883,298,000	\$ 69,659,000	\$ 12,283,000	\$ 1,965,298,000

The Department of Revenue indicates minimal cost to implement the provisions of LB 1021.

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

IMPACT TO LOCAL POLITICAL SUBDIVISIONS:

The Department of Revenue estimates the following fiscal impact to the Highway Allocation Fund:

FY2018-19: \$ 1,820,000 FY2019-20: \$ 11,587,000 FY2020-21: \$ 12,283,000

In addition, those cities and counties with local option sales tax will see an increase in sales tax revenue but we are unable to determine the amount of increase.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE					
LB: 1021	AM:	AGENCY/POLT. SUB:	Revenue		
REVIEWED E	BY: Lyn Heaton	DATE: 2/23/2018	PHONE: (402) 471-4181		
COMMENTS: No basis upon which to disagree with the Department of Revenue's analysis.					

LB 1021 Fiscal Note 2018

State Agency Estimate							
State Agency Name: Department of		Date Due LFA:					
Approved by: Tony Fulton	Date Prepared: Phone: 471-5896						
	FY 2018-2019		FY 20	FY 2019-2020		FY 2020-2021	
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue	
General Funds		\$279,126,000		\$1,776,643,000		\$1,883,411,000	
Cash Funds	\$10,316,000			\$65,659,000		\$69,604,000	
Federal Funds							
Other Funds		\$1,820,000		\$11,587,000		\$12,283,000	
Total Funds		\$291,262,000		\$1,853,889,000		\$1,965,298,000	

LB 1021 eliminates a number of sales and use tax exemptions related to agriculture, including the exemptions for agricultural machinery and equipment and for repair or replacement parts for agricultural machinery and equipment.

Additional sales and use tax exemptions that would be eliminated:

- 1. The exemption for energy sources and fuels when more than 50% of the amount is purchased for use directly in irrigation or farming;
- 2. The exemption for water used for irrigation of agricultural land and manufacturing purposes;
- 3. The exemption for semen and insemination services for use in ranching or farming or for commercial or industrial uses;
- 4. The exemption for feed, water, veterinary medicines, and agricultural chemicals for use on animal life which ordinarily constitute food for human consumption or apparel;
- 5. The exemption for animal life, seeds, and annual plants which ordinarily constitute food for human consumption and for agricultural chemicals for use in commercial agricultural;
- 6. The exemption for mineral oil to be applied to grain as a dust suppressant; and
- 7. The exception from gross receipts for animal grooming performed by a veterinarian or veterinary technician in conjunction with medical treatment.

LB 1021 also removes agriculture as a category for which tax expenditures relating to sales and use tax must be reported in the tax expenditure report, and eliminates the refund provisions of Neb. Rev. Stat. § 77-2708.01 related to depreciable repairs or parts for agricultural machinery and equipment.

The operative date for LB 1021 is April 1, 2019.

The Department estimates minimal costs to implement the bill and the following impact on fund revenues:

Fiscal Year	Total Impact	General Fund	State Highway Capital Improvement Fund	Highway Allocation Fund
2018-2019	\$291,262,000	\$279,126,000	\$10,316,000	\$1,820,000
2019-2020	\$1,853,889,000	\$1,776,643,000	\$65,659,000	\$11,587,000
2020-2021	\$1,965,298,000	\$1,883,411,000	\$69,604,000	\$12,283,000

Major Objects of Expenditure							
Class Code	Classification Title	18-19 <u>FTE</u>	19-20 <u>FTE</u>	20-21 <u>FTE</u>	18-19 Expenditures	19-20 Expenditures	20-21 Expenditures
Benefits	Benefits.						
Operating Costs	Operating Costs.						
	Travel						
Capital Outlay.							
Capital Improvements.							
	Total						