Keisha Patent March 12, 2019 402-471-0059

LB 456

Revision: 00 FISCAL NOTE LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)							
	FY 2019-20		FY 2020-21				
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE			
GENERAL FUNDS							
CASH FUNDS							
FEDERAL FUNDS							
OTHER FUNDS							
TOTAL FUNDS							

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

LB 456 amends sales and use tax provisions Nebraska Revenue Act of 1967. The bill amends the definition of "manufacturing machinery and equipment" for purposes of the act. Sales and use tax are not imposed on the gross receipts from the sale, lease, or rental of manufacturing machinery or equipment.

The bill adds machinery or equipment used to produce electricity for sale by using renewable energy, including machinery to store electricity. The source of renewable energy includes, but is not limited to wind, solar, geothermal, hydroelectric, biomass, and transmutation of elements.

The operative date of the bill is October 1, 2019.

Revenue:

The Department of Revenue estimates any reduction in revenue as a result of the provisions of LB 456 to be minimal because the exemption would only apply to machinery or equipment purchased by an entity manufacturing a product other than electricity that also has a renewable energy generation system.

The definition of manufacturing in section 77-2701.46 specifically excludes the generation or transmission of electricity from the definition of manufacturing, and as such, there is no basis to disagree with the department's estimate of fiscal impact.

Expenditures:

The department estimates minimal cost to implement the bill.

ADMINIS	ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE						
LB: 456 AM:		AGENCY/POLT. SUB: Department of Reven	nue				
REVIEWED BY:	Lee Will	DATE: 3/12/2019	PHONE: (402) 471-4175				
COMMENTS: No basis to disagree with the Department of Revenue's assessment of minimal fiscal impact to the General Fund.							

Fiscal Note 2019

State Agency Estimate								
State Agency Name: Department of Revenue					Date Due LFA:	3/11/19		
Approved by: Tony Fulton Date Prepared:		3/8/19		Phone: 471-5896				
	FY 2019-2020		FY 2020-2021		<u>FY 2021-2022</u>			
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue		
General Funds	Minimal	Minimal	Minimal	Minimal	Minimal	Minimal		
Cash Funds								
Federal Funds								
Other Funds								
Total Funds	Minimal	Minimal	Minimal	Minimal	Minimal	Minimal		

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LB 456 proposes to exempt machinery or equipment for use in the production of electricity by using one or more sources of renewable energy to produce electricity for sale, including machinery and equipment used to store such electricity. The bill provided a non-exhaustive list of sources of renewable energy for purposes of the subdivision. The list of sources of renewable energy includes, but is not limited to, wind, solar, geothermal, hydroelectric, biomass, and transmutation of elements.

LB 456 would be operative October 1, 2018.

It is the Department's interpretation that the exemption proposed by LB 456 would only be available to an entity that is manufacturing a product other than electricity and has a renewable energy generation system regardless of whether or not the business is selling any of the electricity they generate. This would present a minimal impact to General Fund revenues due to the limiting factors already in statute that are necessary to qualify for the exemption.

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

Major Objects of Expenditure								
Class Code	Classification Title	19-20 <u>FTE</u>	20-21 <u>FTE</u>	21-22 <u>FTE</u>	19-20 <u>Expenditures</u>	20-21 <u>Expenditures</u>	21-22 <u>Expenditures</u>	
Benefits	Benefits							
Operating Costs								
Travel								
Capital Outlay								
Capital Improvements								
Total								