PREPARED BY: DATE PREPARED: PHONE: Keisha Patent January 28, 2020 402-471-0059

## **LB 1070**

Revision: 00

# **FISCAL NOTE**

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT - STATE AGENCIES (See narrative for political subdivision estimates)						
	FY 2020-21		FY 2021-22			
	EXPENDITURES REVENUE		EXPENDITURES	REVENUE		
GENERAL FUNDS		(\$171,000)		(\$264,000)		
CASH FUNDS		(\$6,000)		(\$11,000)		
FEDERAL FUNDS						
OTHER FUNDS						
TOTAL FUNDS		(\$177,000)		(\$275,000)		

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

LB 1070 amends the Nebraska Revenue Act of 1967 to clarify the exemption from sales and use tax for the gross receipts from the sale, lease, or rental of agricultural machinery and equipment. The bill clarifies "agricultural machinery and equipment" includes header trailers, head haulers, and header transports.

The bill is operative October 1, 2020.

#### Revenue:

The Department of Revenue estimates revenue to the General Fund, the State Highway Capital Improvement Fund, and the Highway Allocation Fund as follows:

Fiscal Year	General Fund	State Highway Capital Improvement Fund	Highway Allocation Fund	
2020-2021	(\$171,000)	(\$6,000)	(\$1,000)	
2021-2022	(\$264,000)	(\$11,000)	(\$2,000)	
2022-2023	(\$276,000)	(\$11,000)	(\$2,000)	
2023-2024	(\$286,000)	(\$12,000)	(\$2,000)	

### **Expenditures:**

The department estimates no cost to implement the bill.

There is no basis to disagree with these estimates.

## LB 1070 Fiscal Note 2020

State Agency Estimate							
State Agency Name: Department	of Revenue				Date Due LFA:		
Approved by: Tony Fulton	Date Prepared:			Phone: 471-5896			
	FY 2020-2021		FY 2021-	FY 2021-2022		FY 2022-2023	
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue	
General Funds	\$0	(\$171,000)	\$0	(\$264,000)	\$0	(\$276,000)	
Cash Funds		(\$6,000)		(\$11,000)		(\$11,000)	
Federal Funds							
Other Funds		(\$1,000)		(\$2,000)		(\$2,000)	
Total Funds	\$0	(\$178,000)	\$0	(\$277,000)	\$0	(\$289,000)	

LB 1070 includes in the definition of agricultural machinery and equipment, for purpose of the sales and use tax exemption of depreciable agricultural machinery and equipment in Neb. Rev. Stat. § 77-2704.36, header trailers, head haulers, and header transports. LB 1070 becomes operative on October 1, 2020.

Based on data from the Department of Motor Vehicles (DMV), roughly 82,000 farm trailers are registered in Nebraska as of 2018. DOR assumes the rate at which trailers become fully depreciated is 10%. Accordingly, 8,202 trailers are purchased per year to replace depreciated farm trailers. The total value of these farm trailers is estimated to be close to \$121 million. Note that the DMV data do not break out the type of trailers, hence DOR assumes that about 4% of this value represents header trailers, head haulers, and header transports. Accordingly, the value of these trailers is estimated to be \$4.8 million. Based on these assumptions, DOR estimates the reduction to General Fund revenue, State Highway Capital Improvement Fund, and Highway Allocation Fund to be as follows:

Fiscal Year	General Fund	State Highway Capital Improvement Fund	Highway Allocation Fund
2020-2021	\$171,000	\$6,000	\$1,000
2021-2022	\$264,000	\$11,000	\$2,000
2022-2023	\$276,000	\$11,000	\$2,000
2023-2024	\$286,000	\$12,000	\$2,000

It is estimated that there will be no cost to DOR to implement this bill.

Major Objects of Expenditure							
Class Code	Classification Title	20-21 <u>FTE</u>	21-22 <u>FTE</u>	22-23 <u>FTE</u>	20-21 Expenditures	21-22 Expenditures	22-23 Expenditures
Benefits	Benefits						
Operating Costs	Operating Costs						
Travel	Travel						
Capital Outlay.							
Capital Improvements							
Total							