PREPARED BY: DATE PREPARED: PHONE: Keisha Patent February 10, 2020 402-471-0059

**LB 1109** 

Revision: 00

## **FISCAL NOTE**

LEGISLATIVE FISCAL ANALYST ESTIMATE

| ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates) |              |               |              |                |  |  |  |
|--|--------------|---------------|--------------|----------------|--|--|--|
|  | FY 202       | 20-21         | FY 2021-22   |                |  |  |  |
|  | EXPENDITURES | REVENUE       | EXPENDITURES | REVENUE        |  |  |  |
| GENERAL FUNDS  |              | (\$6,241,000) |              | (\$9,914,000)  |  |  |  |
| CASH FUNDS   |              | (\$221,000)   |              | (\$401,000)    |  |  |  |
| FEDERAL FUNDS  |              |               |              |                |  |  |  |
| OTHER FUNDS  |              |               |              |                |  |  |  |
| TOTAL FUNDS  |              | (\$6,462,000) |              | (\$10,315,000) |  |  |  |

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

LB 1109 amends provisions of the Revenue Act of 1967 to exclude the gross income received from furnishing water service from the definition of gross receipts for purposes of sales and use taxes.

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<br>Capital Improvement<br>Fund | Highway<br>Allocation Fund |
|-------------|----------------|--|----------------------------|
| FY20-21     | (\$6,241,000)  | (\$221,000)                                  | (\$39,000)                 |
| FY21-22     | (\$9,914,000)  | (\$401,000)                                  | (\$71,000)                 |
| FY22-23     | (\$10,640,000) | (\$431,000)                                  | (\$76,000)                 |
| FY23-24     | (\$11,386,000) | (\$461,000)                                  | (\$81,000)                 |

## **Expenditures:**

The department estimates no cost to implement the bill.

There is no basis to disagree with these estimates.

| ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE |          |   |                       |  |  |
|---|----------|---|-----------------------|--|--|
| LB: 1109  | AM:      | AGENCY/POLT. SUB: Department of Revenue |                       |  |  |
| REVIEWED BY:  | Lee Will | DATE: 02/04/2020                        | PHONE: (402) 471-4175 |  |  |
| COMMENTS: The Department of Revenue's assessment of fiscal impact seems reasonable.   |          |   |                       |  |  |

LB 1109 Fiscal Note 2020

|                               |                | State Agen    | cy Estimate  |                 |               |                |  |
|-------------------------------|----------------|---------------|--------------|-----------------|---------------|----------------|--|
| State Agency Name: Department | of Revenue     |               |              |                 | Date Due LFA: |                |  |
| Approved by: Tony Fulton      | Date Prepared: |               |              | Phone: 471-5896 |               |                |  |
|                               | FY 2020        | FY 2020-2021  |              | 1-2022          | FY 2022       | FY 2022-2023   |  |
|                               | Expenditures   | Revenue       | Expenditures | Revenue         | Expenditures  | Revenue        |  |
| General Funds                 | \$0            | (\$6,241,000) | \$0          | (\$9,914,000)   | \$0           | (\$10,640,000) |  |
| Cash Funds                    |                | (\$221,000)   |              | (\$401,000)     |               | (\$431,000)    |  |
| Federal Funds                 |                |               |              |                 |               |                |  |
| Other Funds                   |                | (\$39,000)    |              | (\$71,000)      |               | (\$76,000)     |  |
| Total Funds                   | \$0            | (\$6,501,000) | \$0          | (\$10,386,000)  | \$0           | (\$11,147,000) |  |

LB 1109 excludes the furnishing of water service from the definition of gross receipts in Neb. Rev. Stat. § 77-2701.16 and the furnishing of water service from sales and use taxes. LB 1109 becomes operative on October 1, 2020.

Based on sales and use tax data from DOR and Metropolitan Utilities District (MUD), current sales tax from the furnishing of water service amounts to approximately \$9 million. This number does not include water used for irrigation which is already tax exempt. For facilities that do not provide separate listing for sales tax from water provision, it is assumed that 15% of sales tax from utilities is for the provision of water service which is the estimate for water provision from MUD. Based on this assumption, the estimated reduction in General Fund revenue, State Highway Capital Improvement Fund, and Highway Allocation Fund is summarized in the table below.

| Fiscal Year | General Fund | State Highway Capital<br>Improvement Fund | Highway Allocation<br>Fund |
|-------------|--------------|---|----------------------------|
| 2020-2021   | \$6,241,000  | \$221,000                                 | \$39,000                   |
| 2021-2022   | \$9,914,000  | \$401,000                                 | \$71,000                   |
| 2022-2023   | \$10,640,000 | \$431,000                                 | \$76,000                   |
| 2023-2024   | \$11,386,000 | \$461,000                                 | \$81,000                   |

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<br><u>FTE</u> | 21-22<br><u>FTE</u> | 22-23<br><u>FTE</u> | 20-21<br>Expenditures | 21-22<br>Expenditures | 22-23<br>Expenditures |  |
|                              |                      |                     |                     |                     |                       |                       |                       |  |
|                              |                      |                     |                     |                     |                       |                       |                       |  |
|                              |                      |                     |                     |                     |                       |                       |                       |  |
| Benefits                     | Benefits             |                     |                     |                     |                       |                       |                       |  |
| Operating Costs              | Operating Costs      |                     |                     |                     |                       |                       |                       |  |
| Travel                       | Travel               |                     |                     |                     |                       |                       |                       |  |
| Capital Outlay.              |                      |                     |                     |                     |                       |                       |                       |  |
| Capital Improvements.        |                      |                     |                     |                     |                       |                       |                       |  |
| Total                        |                      |                     |                     |                     |                       |                       |                       |  |