PREPARED BY: DATE PREPARED: PHONE: Austin Ligenza February 23, 2021 (402)471-0050

LB 18

Revision: 00

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT - STATE AGENCIES (See narrative for political subdivision estimates)								
	FY 202	FY 2021-22 FY 20						
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE				
GENERAL FUNDS				(\$281,000)				
CASH FUNDS								
FEDERAL FUNDS								
OTHER FUNDS								
TOTAL FUNDS				(\$281,000)				

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

LB 18 seeks to amend the ImagiNE Nebraska Act by redefining equivalent employees and expanding the list of qualified locations. The definition for equivalent employees divides the total hours paid to employees by 40 times the number of weeks in a year. Under LB 18, only hours paid to employees that were employed in Nebraska and were liable for Nebraska income tax qualify in this computation. Originally, the statute only requires an employee to be a resident of Nebraska for an hour paid to qualify.

LB 18 also expands the list of qualified locations. LB 18 specifies locations conducting Postharvest Crop Activities (NAICS code 115114) as being qualified. The list is also expanded to include locations processing tangible personal property. The processing of tangible personal property refers to the application of a method or process to prepare such property for use without a significant transformation.

LB 18 includes the emergency clause, and as such would go into effect immediately upon being passed.

The Department of Revenue expects that LB 18 will expand the number of projects that qualify for benefits under the ImagiNE Nebraska Act. The Department estimates the following impact to General Fund revenues:

- FY21-22: \$0
- FY22-23: (\$281,000)
- FY23-24: (\$569,000)
- FY24-25: (\$611,000)
- FY25-26: (\$653,000)
- FY26-27: (\$703,000)

The assumptions made by the Department appear reasonable, and there is no basis to disagree with the estimates provided.

The Department expects no additional costs to implement LB 18. There is no basis to disagree with this estimate.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE						
LB: 18	AM: AGENCY/POLT. SUB: Department of Revenue					
REVIEWED	REVIEWED BY: Neil Sullivan DATE: 2/23/2021 PHONE: (402) 471-4179					
COMMENTS: No basis to disagree with the Department of Revenue assessment of fiscal impact from LB 18.						

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE							
LB: 18 AM:	AGENCY/POLT. SUB: Depa	artment of Economic Development					
REVIEWED BY: Neil Sullivar	DATE: 2/19/2021	PHONE: (402) 471-4179					
COMMENTS: The Department of Economic Development assessment of indeterminate fiscal impact from LB 18 appears reasonable.							

State Agency Estimate							
State Agency Name: Department	of Revenue				Date Due LFO:		
Approved by: Tony Fulton Date Pre			2/23/2021	Phone: 471-5896			
	FY 2021	FY 2021-2022		2-2023	FY 2023-2024		
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue	
General Funds		\$ 0	1	(\$281,000)		(\$569,000)	
Cash Funds							
Federal Funds							
Other Funds							
Total Funds		\$ 0		(\$281,000)		(\$569,000))	

LB 18 amends two provision of the ImagiNE Nebraska Act. Neb. Rev. Stat. § 77-6810 defines equivalent employee as the number of employees computed by dividing the total hours paid in a year by the product of 40 times the number of weeks in a year. LB 18 amends § 77-6810 to change the computation of an equivalent employee to include only the hours of employees who were employed in Nebraska and subject to the Nebraska income tax on compensation received from the taxpayer rather than only the hours of employees who are Nebraska residents.

LB 18 also adds two business activities to the definition of a qualified location in Neb. Rev. Stat. § 77-6818: Postharvest Crop Activities (except Cotton Ginning) under NAICS code 115114; and the processing of tangible personal property, providing that "processing means to subject to a particular method, system, or technique of preparation, handling, or other treatment designed to prepare tangible personal property for market, manufacture, or other commercial use which does not result in the transformation of such property into a substantially different character."

LB 18 contains an emergency clause.

LB 18 is estimated to increase the number of projects that will qualify for the ImagiNE Nebraska Act due to the addition of business activities under NAICS code 115114 and the mining, quarrying, and oil and gas extraction industry (NAICS 21). The estimated reduction to the General Fund revenues would be as follows:

FY21-22	\$ -
FY22-23	\$ 281,000
FY23-24	\$ 569,000
FY24-25	\$ 611,000
FY25-26	\$ 653,000
FY26-27	\$ 703,000

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

Major Objects of Expenditure								
Class Code	Classification Title	21-22 <u>FTE</u>	22-23 <u>FTE</u>	23-24 <u>FTE</u>	21-22 Expenditures	22-23 Expenditures	23-24 Expenditures	
Benefits					·			
Operating Costs								
	ts							
Total								

Aid.....

Capital improvements.....

TOTAL.....

LB ⁽¹⁾ 18							I	FISCAL NOTE
State Agency OR	Political Su	bdivision Name: (2	Nebraska Department of Economic Development					
Prepared by: (3)	Anthony	Goins	Date	e Prepared: ⁽⁴⁾	2/16/20	021	_ Phone: ⁽⁵⁾	402-471-3777
	ES	ΓΙΜΑΤΕ PROV	TDED BY 9	STATE AGEN	ICY OR I	POLITICA	L SUBDIVIS	ION
			Y 2021-22				FY 2022	
	-	EXPENDITURE	E <u>S</u>	<u>REVENUE</u>	<u>I</u>	EXPENDIT	<u>'URES</u>	<u>REVENUE</u>
GENERAL FUN	IDS	\$0		(See Below)		\$0		(See Below)
CASH FUNDS								
FEDERAL FUN	DS							
OTHER FUNDS	6		<u> </u>		<u> </u>			
TOTAL FUNDS	; =	\$0	= <u>-</u>	(See Below)	· =	\$0		(See Below)
Explanation of Es	timate:							
Activities (exceptamended to except excluded activition of applications to the of increased application of the provision of t	ot Cotton clude NA es. of LB18 rehe prographications applications ons in the	Ginning) and 2 ICS code 1151 elating to the dam and will have to the program ations to the program ations to the program e ImagiNE act.	2) The pro 114 (posth efinition of ve no fiscan. Whether rogram or The addit	ressing of tanarvest crop f equivalent of the series of t	employe essecond rease th axpayers f admini	es will not d provision e cost of t s are subje stration of	impact the will add an he program the program the program	unknown number
Personal Services	:							
POSIT	TION TIT		NUMBER (<u>21-22</u>	OF POSITION <u>22-23</u>		2021-9 EXPENDIT		2022-23 EXPENDITURES
				<u>-</u>	_			
Benefits				_				
Operating								
Travel					•			
Capital outlay								