Austin Ligenza February 3, 2021 (402)471-0050

LB 182

Revision: 00

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT - STATE AGENCIES (See narrative for political subdivision estimates)						
	FY 202	21-22	FY 2022-23			
	EXPENDITURES	EXPENDITURES REVENUE		REVENUE		
GENERAL FUNDS		(\$2,652,000)		(\$4,533,000)		
CASH FUNDS		(\$94,000)		(\$183,000)		
FEDERAL FUNDS						
OTHER FUNDS						
TOTAL FUNDS		(\$2,746,000)		(\$4,716,000)		

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

LB 182 seeks to exclude income received from the "provision, installation, construction, servicing, or removal of property primarily used in conjunction with the furnishing, installing, or connecting of Internet access service." This exclusion relates to the definition of gross receipts collected as sales and use tax.

LB 182 becomes operative October 1, 2021.

Revenue:

The Department of Revenue estimates that the gross receipts from services related to internet access currently generated approximately \$3.7 million in sales and use tax revenue as of 2017. The exclusion of this revenue would lead to the following impact to the various recipients of sales and use tax revenue, adjusting for growth:

FISCAL YEAR	GENERAL FUND	STATE HIGHWAY CAPITAL IMPROVEMENT FUND	HIGHWAY ALLOCATION FUND (CITIES AND COUNTIES)
2021-2022	(\$2,652,000)	(\$94,000)	(\$17,000)
2022-2023	(\$4,533,000)	(\$183,000)	(\$32,000)
2023-2024	(\$4,959,000)	(\$201,000)	(\$35,000)
2024-2025	(\$5,307,000)	(\$215,000)	(\$38,000)

There is no basis to disagree with these estimates.

Expenditures:

The Department of Revenue expects no costs to implement LB 182.

There is no basis to disagree with this estimate.

LB 182 Fiscal Note 2021

		State Agency	Estimate			
State Agency Name: Department	of Revenue				Date Due LFO:	
Approved by: Tony Fulton		Date Prepared:	2/2/2021	Phone: 471-5896		
	FY 2021	FY 2021-2022		2-2023	FY 2023-2024	
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue
General Funds	\$0	(\$2,652,000)	\$0	(\$4,533,000)	\$0	(\$4,959,000)
Cash Funds		(\$94,000)		(\$183,000)		(\$201,000)
Federal Funds						
Other Funds		(\$17,000)		(\$32,000)		(\$35,000)
Total Funds	\$0	(\$2,763,000)	\$0	(\$4,748,000)	\$0	(\$5,195,000)

LB 182 amends the definition of "gross receipts" for sales tax purposes in Neb. Rev. Stat. § 77-2701.16 to remove gross income received from the provision, installation, construction, servicing, or removal of property primarily used in conjunction with the furnishing, installing, or connecting of internet access service from the definition. LB 182 becomes operative on October 1, 2021

Based on data from Bureau of Economic Analysis, the share of Nebraska's GDP from Data processing, hosting, and other information services from the nation's total is 0.005. Using this ratio, it is estimated that Nebraska's revenue from internet service providers is around \$68,000,000; and the sales tax revenue from this service amounts close to \$3.7 million as of 2017 based on data from Census Bureau. Accordingly, 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		Highway	
	General Fund	Improvement Fund	Allocation Fund	
2021-2022	\$2,652,000	\$94,000	\$17,000	
2022-2023	\$4,533,000	\$183,000	\$32,000	
2023-2024	\$4,959,000	\$201,000	\$35,000	
2024-2025	\$5,307,000	\$215,000	\$38,000	

It is estimated that there will be no cost to DOR to implement this 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	
Daniel Control								
Benefits. Operating Costs. Operating Costs.								
Travel.								
Capital Improvements								