PREPARED BY: DATE PREPARED: PHONE: Austin Ligenza February 22, 2021 (402)471-0050

**LB 672** 

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		(\$3,996,000)		(\$6,394,000)				
CASH FUNDS		(\$142,000)		(\$259,000)				
FEDERAL FUNDS								
OTHER FUNDS								
TOTAL FUNDS		(\$4,138,000)		(\$6,653,000)				

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

LB 672 seeks to amend the definition of depreciable agricultural machinery and equipment as it relates to the sales and use tax exemption allowed for the gross receipts from the sale, lease, or rental of such property. LB 672 defines agricultural machinery and equipment to be tangible personal property fulfilling one of the following purposes:

- Cultivating or harvesting of a crop;
- · Raising or caring for animal life;
- · Protecting the health and welfare of animal life; and
- Collecting or processing an agricultural product on a farm or ranch.

LB 672 provides examples of such property, which includes header trailers, head haulers, header transports, and seed tender trailers, but is not limited to this list.

LB 672 becomes operative October 1, 2021.

The Department of Revenue estimates that 4% of farm trailers registered in Nebraska would qualify for the exemption as depreciable header trailers, head haulers, and header transports, totaling \$4.8 million in value, which results in an increase in state sales tax revenue of less than \$300,000 per fiscal year. Additionally, the tax revenue collected from livestock improvement and construction expense in Nebraska is estimated at \$5.4 million. Using these two estimates, the Department of Revenue estimates the following revenue impact to the General Fund, the State Highway Capital Improvement Fund, and the Highway Allocation Fund:

	General Fund	State Highway Capital Improvement Fund	Highway Allocation Fund
FY21-22	(\$3,996,000)	(\$142,000)	(\$25,000)
FY22-23	(\$6,394,000)	(\$259,000)	(\$46,000)
FY23-24	(\$6,558,000)	(\$265,000)	(\$47,000)
FY24-25	(\$6,920,000)	(\$280,000)	(\$49,000)

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

The Department of Revenue estimates no costs to implement LB 672. There is no basis to disagree with this estimate.

ADMI	NISTRATIVE SERV	/ICES STATE BUDGET DIVISION: REVIEW OF AG	ENCY & POLT. SUB. RESPONSE
LB: 672	AM:	AGENCY/POLT. SUB: University of Neb	oraska
REVIEW BY:	Lee Will	DATE: 01/25/2021	PHONE: (402) 471-4175
COMMENTS:	Concur with the Uni	versity of Nebraska's assessment of no fiscal impact.	

LB 672 Fiscal Note 2021

		State Agency	Estimate			
State Agency Name: Department	of Revenue				Date Due LFO:	
Approved by: Tony Fulton		Date Prepared:	2/19/2021		Phone: 471-5896	
	FY 2021	-2022	FY 2022-2023		FY 2023-2024	
	<b>Expenditures</b>	Revenue	Expenditures	Revenue	Expenditures	Revenue
General Funds	\$0	(\$3,996,000)	\$0	(\$6,394,000)	\$0	(\$6,558,000)
Cash Funds		(\$142,000)		(\$259,000)		(\$265,000)
Federal Funds						
Other Funds		(\$25,000)		(\$46,000)		(\$47,000)
Total Funds	\$0	(\$4,163,000)	\$0	(\$6,699,000)	\$0	(\$6,870,000)

LB 672 amends the sales and use tax exemption for depreciable agricultural machinery and equipment for use in commercial agriculture in Neb. Rev. Stat. § 77-2704.36. LB 672 defines agricultural machinery and equipment as tangible personal property that is used directly in (i) cultivating or harvesting a crop; (ii) raising or caring for animal life; (iii) protecting the health and welfare of animal life, including fans, curtains, and climate control equipment within livestock buildings; or (iv) collecting or processing an agricultural product on a farm or ranch, regardless of the degree of attachment to any real property. In addition, the bill provides that agricultural machinery and equipment includes, but is not limited to, header trailers, head haulers, header transports, and seed tender trailers. LB 672 becomes operative October 1, 2021.

Based on data from the Department of Motor Vehicles (DMV), roughly 81,650 farm trailers are registered in Nebraska as of 2019. DOR assumes the rate at which trailers become fully depreciated is 10%. Accordingly, 8,165 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 does not differentiate trailers by type; 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.

Using data from United States Department of Agriculture (2019 Farm Business Income and 2017 Census of Agriculture), it is estimated that tax revenue from livestock improvement and construction expense in Nebraska is close to \$5.4 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	1
2021-2022	\$3,996,000	\$142,000	\$25,000	ı
2022-2023	\$6,394,000	\$259,000	\$46,000	ı
2023-2024	\$6,558,000	\$265,000	\$47,000	ı
2024-2025	\$6,920,000	\$280,000	\$49,000	ı

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							
Capital Outlay							
Capital Improvements	S						

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

<b>LB</b> <sup>(1)</sup> 672					FISCAL NOTE			
State Agency OR Political Subdivision Name:	(2) U	University of Nebraska						
Prepared by: (3) Michael Justus		Date Prepared: (4)	January 21, 2021	Phone: (5)	402-472-7109			
ESTIMATE PRO	OVIDEI	O BY STATE AGEN	NCY OR POLITICAL	L SUBDIVIS	ION			
<u> </u>	Y 202 ES	<u>1-22</u> <u>REVENUE</u>	EXPENDITU	<u>FY 2022</u> J <u>RES</u>	<u>-23</u> <u>REVENUE</u>			
GENERAL FUNDS								
CASH FUNDS								
FEDERAL FUNDS				<u>_</u>				
OTHER FUNDS								
TOTAL FUNDS								
Explanation of Estimate:	<del></del>							
1								
BREAKDO Personal Services:	OWN B	Y MAJOR OBJECT	TS OF EXPENDITU	<u>RE</u>	_			
POSITION TITLE	NUMF 21-	BER OF POSITIONS 22 22-23	S 2021-22 EXPENDITU		2022-23 EXPENDITURES			
Benefits								
Operating								
Travel								
Capital outlay								
Aid								
Capital improvements								
TOTAL								