John Wiemer February 16, 2023 402-471-0051

LB 584

Revision: 00 FISCAL NOTE LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)								
	FY 2023	3-24	FY 2024-25					
	EXPENDITURES REVENUE		EXPENDITURES	REVENUE				
GENERAL FUNDS	\$110,900	\$1,340,000	\$54,800	\$1,500,000				
CASH FUNDS								
FEDERAL FUNDS								
OTHER FUNDS								
TOTAL FUNDS	\$110,900	\$1,340,000	\$54,800	\$1,500,000				

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

LB 584 seeks to impose a tax on the selling or dealing in electronic nicotine delivery systems at a rate of \$0.05 per milliliter of consumable material and a proportionate tax at the same rate on all fractional parts beginning July 1, 2023.

The Department of Revenue (DOR) estimates the following increase to General Fund revenues from this bill:

Fiscal Year	General Fund revenues		
FY 2023-24	\$	1,340,000	
FY 2024-25	\$	1,500,000	
FY 2025-26	\$	1,550,000	
FY 2026-27	\$	1,600,000	

To implement the bill, the DOR estimates that it would need 1.0 FTE of a Senior Developer the first year and 0.5 FTE in the subsequent years to program and maintain the General Processing System. The DOR also estimates that it would have a one-time cost from the Office of the Chief Information Officer (OCIO) of \$1,500 for developing.

There is no basis to disagree with these estimates.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE								
LB:	LB: 584 AM: AGENCY/POLT. SUB: Nebraska Department of Revenue							
REVIEWED BY: Ann Linneman		Ann Linneman	DATE: 2-16-2023 PHONE: (402) 471-4180					
COMMENTS: The Nebraska Department of Revenue's assessment of fiscal impact appears reasonable.								

Fiscal Note 2023

		State Agency	Estimate					
State Agency Name: Department of	Revenue		Date Due LFO:					
Approved by: Glen White		Date Prepared:	2/16/2023		Phone: 471-5896			
FY 2023-2024		3-2024	<u>FY 2024-2025</u>		<u>FY 2025-2026</u>			
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue		
General Funds	\$110,900	\$1,340,000	\$54,800	\$1,500,000	\$56,100	\$ 1,550,000		
Cash Funds								
Federal Funds								
Other Funds								
Total Funds	\$110,900	\$1,340,000	\$54,800	\$1,500,000	\$56,100	\$ 1,550,000		
Total Funds	\$110,900	\$1,340,000	\$54,800	\$1,500,000	\$56,100	\$ 1,550,000		

State Agaman Estimate

LB 584 imposes a tax on selling or dealing in electronic nicotine delivery systems by any person engaged in business as a distributor at the rate of \$0.05 per milliliter of consumable material for electronic nicotine delivery systems (ENDS) and a proportionate tax at the rate on all fractional part beginning July 1, 2023.

The tax is imposed retailers at the earliest time the retailer detailer:

- 1. Brings or causes to be brought into the state any electronic nicotine delivery system for sale;
- 2. Makes, manufactures, or fabricates any electronic nicotine delivery system in this state for sale in this state, or;
- 3. Sells any electronic nicotine delivery system to consumers within this state.

ENDS is defined in 28-1418.01. Consumable material means any liquid solution or material that is depleted as an ENDS is used.

The Nebraska Department of Revenue (DOR) used the data from other states and estimated that LB 584 will have the following impact:

Fiscal Year	General Fund revenues
FY 2023-24	\$ 1,340,000
FY 2024-25	\$ 1,500,000
FY 2025-26	\$ 1,550,000
FY 2026-27	\$ 1,600,000

LB 584 will require 1.0 FTE of a Senior Developer on the first year and 0.5 FTE for the subsequent years to program and maintain the General Processing System. DOR also estimates a one-time cost of \$1,500 for OCIO developing to implement this bill.

The operative date for this bill is July 1, 2023.

Major Objects of Expenditure							
Class Code	Classification Title	23-24 <u>FTE</u>	24-25 <u>FTE</u>	25-26 <u>FTE</u>	23-24 <u>Expenditures</u>	24-25 <u>Expenditures</u>	25-26 <u>Expenditures</u>
A07012	Information Technology Applications Developer/Senior	1.0	0.5	0.5	\$78,500	\$41,200	\$42,200
Benefits Operating Costs Travel.					\$25,900 \$1,500	\$13,600	\$13,900
Capital Outlay Capital Improvements				\$5,000			
Total				\$110,900	\$54,800	\$56,100	