PREPARED BY: DATE PREPARED: PHONE: John Wiemer January 23, 2025 402-471-0051

**LB 208** 

Revision: 00

## **FISCAL NOTE**

**LEGISLATIVE FISCAL ANALYST ESTIMATE** 

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)						
	FY 2025-26		FY 2026-27			
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE		
GENERAL FUNDS		\$479,000		\$741,000		
CASH FUNDS		\$19,000		\$30,000		
FEDERAL FUNDS						
OTHER FUNDS						
TOTAL FUNDS		\$498,000		\$771,000		

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

LB 208 adds to section 77-2708(1)(d) if a model 1 seller's sales and use tax functions are performed by a certified service provider and the certified service provider is compensated pursuant to the streamlined sales and use tax agreement (SSUTA) for performing such functions, then the model 1 seller shall not receive any collection fees that are specified in this subdivision.

The bill adds "any other person" to be included in confidentiality requirements regarding sales tax.

Under the bill, the SSUTA is updated to include amendments through December 31, 2024.

LB 208 adds that there shall be allowed to qualified resident individuals against the income imposed by the Nebraska Revenue Act of 1967 a refundable credit as provided in section 77-2703 for individuals who qualify for an income tax credit under the Child Care Tax Credit Act for all taxable years beginning on or after January 1, 2024, a change from all individuals.

LB 208 adds that for purposes of the SSUTA, the database that assigns zip codes shall apply the lowest combined tax rate imposed in the nine-digit zip code area if the area includes more than one tax rate in any level of taxing jurisdictions, and the database shall apply the highest combined tax rate imposed in the five-digit zip code area if the area includes more than one tax rate in any level of taxing jurisdictions.

LB 208 amends how credits are pro-rated when the credit limit is reached regarding the food donation credit and the Nebraska Biodiesel Tax Credit.

The Department of Revenue (DOR) estimates the following increase to revenue as a result of this bill:

	General Fund Revenues	Highway Trust Fund	Highway Allocation Fund
FY25-26	479,000	19,000	3,000
FY26-27	741,000	30,000	5,000
FY27-28	763,000	31,000	5,000
FY28-29	786,000	32,000	6,000

There is estimated to be a revenue increase to the Highway Trust Fund and the Highway Allocation Fund, which is distributed to cities and counties.

The DOR also estimates minimal costs to it to implement the bill.

There is no basis to disagree with these estimates by the DOR.

## ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE

LB: 208 AM: AGENCY/POLT. SUB: Department of Revenue

REVIEWED BY: Ryan Yang DATE: 1/22/2025 PHONE: (402) 471-4178

COMMENTS: The Department of Revenue assessment of fiscal impact from LB 208 appears reasonable.

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State Agency Estimate						
State Agency Name: Department of	of Revenue				Date Due LFO:	
Approved by: James R. Kamm		Date Prepared:	01/21/2025		Phone: 471-5896	
	FY 2025	5-2026	FY 2026	5-2027	FY 2027	7-2028
	<b>Expenditures</b>	Revenue	Expenditures	Revenue	<b>Expenditures</b>	Revenue
General Funds		\$ 479,000		\$ 741,000		\$763,000
Cash Funds		\$19,000		\$30,000		\$31,000
Federal Funds						
Other Funds		\$ 3,000		\$5,000		\$5,000
Total Funds		\$ 501,000		\$776,000		\$799,000

LB 208 prohibits the sales tax collection fee for model 1 sellers that use a certified service provider (CSP) to perform the seller's sales and use tax functions. The CSP already receives compensation from the state through contract provisions with the Streamlined Sales Tax Governing Board.

The bill adds the phrase "or any other person" when dealing with the confidentiality requirements for state sales tax. This change mirrors the state income tax confidentiality law requirements.

The bill updates the ratification date for the streamlined sales and use tax agreement through December 31, 2024. Currently, it is ratified through December 31, 2015.

LB 208 also adds language to the child tax credit, making the refundable tax credit only eligible to residents of the State of Nebraska like other refundable tax credits.

The bill also changes the default state tax rate listed for the ZIP code in the state's rate and boundary database if an incomplete address is used. Currently, the state defaults to the lowest state sales tax rate in the ZIP code. This bill changes that to the highest sales tax rate. If a nine-digit zip code is listed the rate will continue to default to the lowest sales tax rate in that ZIP code.

Also, the bill makes changes in prorating tax credit limits for two income tax credits, food donation and Nebraska Biodiesel Tax Credit. Currently, these credits are set up to allow donations through the entire year and require all donations to be prorated at the end of the year if the donations went above the donation cap. The new language states that no additional credits can be allowed after the credit limit is attained and donations that exceed the limit on the day the limit is reached will be prorated.

Major Objects of Expenditure							
Class Code	Classification Title	25-26 <u>FTE</u>	26-27 <u>FTE</u>	27-28 <u>FTE</u>	25-26 Expenditures	26-27 Expenditures	27-28 Expenditures
Operating Costs	Benefits						
Travel							
TC 4 1							

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It is estimated that this bill will have the following impact on General Fund revenues:

	General Fund	Highway	Highway
	Revenues	Trust Fund	Allocation Fund
FY25-26	479,000	19,000	3,000
FY26-27	741,000	30,000	5,000
FY27-28	763,000	31,000	5,000
FY28-29	786,000	32,000	6,000

It is estimated that there will be minimal costs to the Department of Revenue to implement this bill.

The operative date for this bill is three months after adjournment of the Legislature.