Doug Gibbs February 02, 2015 402-471-0051

# LB 278

## Revision: 00 FISCAL NOTE LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)								
	<b>FY 20</b> 1	15-16	FY 2016-17					
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE				
GENERAL FUNDS		(\$1,312,000)		(\$2,063,000)				
CASH FUNDS		(\$46,000)		(\$83,000)				
FEDERAL FUNDS								
OTHER FUNDS								
TOTAL FUNDS		(\$1,358,000)		(\$2,146,000)				

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

LB 278 amends the Nebraska Revenue Act of 1967, Sections 77-2704.14 and 77-2701.16 to provide a sales tax exemption for motor vehicle washing and cleaning services, including the use of coin- operated machines.

The bill has an operative date of October 1, 2015.

The Department of Revenue has estimated the following fiscal impact as a result of LB 278:

		State Highway Capital	Highway Allocation	
Fiscal Year:	General Fund:	Improvement Fund:	Fund:	Total:
2015-16:	(\$ 1,312,000)	(\$ 46,000)	(\$ 8,000)	(\$ 1,366,000)
2016-17:	(\$ 2,063,000)	(\$ 83,000)	(\$ 15,000)	(\$ 2,161,000)
2017-18:	(\$ 2,162,000)	(\$ 88,000)	(\$ 15,000)	(\$ 2,265,000)
2018-19:	(\$ 2,264,000)	(\$ 92,000)	(\$ 16,000)	(\$ 2,372,000)

The Department of Revenue indicates the cost to implement LB 278 to be minimal.

We agree with the Department of Revenue's estimate of fiscal impact and cost.

#### **IMPACT TO POLITICAL SUBDIVISIONS:**

The estimated fiscal impact to the Highway Allocation Fund is as follows:

FY2015-16:	(\$ 8,000)
FY2016-17:	(\$ 15,000)
FY2017-18:	(\$ 15,000)
FY2018-19:	(\$ 16,000)

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES						
LB: 278	LB: 278 AM: AGENCY/POLT. SUB: Dept. of Revenue					
<b>REVIEWED BY</b>	REVIEWED BY: Lyn Heaton DATE: 2/5/2015 PHONE: 471-4181					
COMMENTS: No basis upon which to disagree with the Department's analysis.						

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES							
LB: 278	AM:	AGENCY/POLT. SUB: Dept. of Roads					
REVIEWED BY: Lyn	Heaton		DATE: 2/4/2015	PHONE: 471-4181			
COMMENTS: The D	COMMENTS: The Department's estimate for FY 2015-16 is likely overstated as it does not prorate the amount due to the						
exemption not being operative until October 1, 2015, which suggests the first year impact should be reduced to reflect about							
two-thirds of the fiscal year. Otherwise, the Department's annualized estimate for FY 2016-17 appears reasonable.							

### Fiscal Note 2015

State Agency Estimate							
State Agency Name: Department	of Revenue				Date Due LFA:	2/4/2015	
Approved by: Len Sloup		Date Prepared:	2/4/2015		Phone: 471-5896		
	FY 201	6-2017	FY 2017-2018				
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue	
General Funds		(\$1,312,000)		(\$2,063,000)		(\$2,162,000)	
Cash Funds		(\$46,000)		(\$83,000)		(\$88,000)	
Federal Funds							
Other Funds		(\$8,000)		(\$15,000)		(\$15,000)	
Total Funds		(\$1,366,000)		(\$2,161,000)		(\$2,265,000)	

LB 278 excludes motor vehicle washing and waxing from the definition of gross receipts and provides a sales and use tax exemption for the gross receipts from coin-operated machines used for cleaning or washing of motor vehicles.

The Department's costs to implement LB 278 are expected to be minimal.

The bill is expected to reduce revenue to the following funds by the amounts below:

Fiscal Year	General Fund	State Highway Capital Improvement Fund	Highway Allocation Fund	Total
2015-16	\$1,312,000	\$46,000	\$8,000	\$1,366,000
2016-17	\$2,063,000	\$83,000	\$15,000	\$2,161,000
2017-18	\$2,162,000	\$88,000	\$15,000	\$2,265,000
2018-19	\$2,264,000	\$92,000	\$16,000	\$2,372,000

LB 278 is operative on October 1, 2015.

	Major Objects of Expenditure								
Class Code	Classification Title	15-16 <u>FTE</u>	16-17 <u>FTE</u>	17-18 <u>FTE</u>	15-16 <u>Expenditures</u>	16-17 <u>Expenditures</u>	17-18 Expenditures		
Benefits									
Operating Costs									
Capital Outlay	Capital Outlay								
Aid									
Capital Improvements									
	Total								

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LB	278				<b>FISCAL NOTE</b>
State Agency OR Political Subdivision Name: <sup>(2)</sup>		Nebraska Dept			
Prepar	ed by: (3)	Becky Fleming	Date Prepared: (4)	1/29/15 Phon	ne: <sup>(5)</sup> (402) 479 4692
		ESTIMATE PROVIDED	) BY STATE AGENO	Y OR POLITICAL SUBDI	VISION
		FY 201	5-16	FY	2016-17
		EXPENDITURES	<u>REVENUE</u>	EXPENDITURES	REVENUE
GENEI	RAL FUN	DS			
CASH	FUNDS		\$(74,375.00)		\$(74,375.00)
FEDEF	RAL FUNI	DS			
OTHE	<b>R FUNDS</b>				
TOTA	L FUNDS		\$(74,375,00)		\$(74.375.00)

#### **Explanation of Estimate:**

LB 278 exempts the gross receipts from the sales of motor vehicle washing and waxing services from sales and use tax. According to the Dept of Revenue, there is approximately \$35 million in annual taxable sales, resulting in about \$2 million in sales tax revenue.

On sales and use tax collected, 85% of 1/4 of 1% is remitted to the State Capital Improvement Fund and 15% of ¼ of 1% is remitted to the Highway Allocation Fund. If this bill were to pass, this would result in a loss to the Dept of Roads of approximately \$74,375 (85%, calculated using information from Dept of Revenue above). Cities and counties would lose approximately \$13,125 (15%, calculated using information from Dept of Revenue above).

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE								
Personal Services:								
	NUMBER OF	POSITIONS	2015-16	2016-17				
POSITION TITLE	<u>15-16</u>	<u>16-17</u>	<b>EXPENDITURES</b>	EXPENDITURES				
Benefits								
Operating								
Travel								
Capital outlay								
Aid								
Alu								
Capital improvements								
TOTAL								