

Revised to add information

**FISCAL NOTE**  
**LEGISLATIVE FISCAL ANALYST ESTIMATE**

<b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES</b> (See narrative for political subdivision estimates)				
	<b>FY 2015-16</b>		<b>FY 2016-17</b>	
	<b>EXPENDITURES</b>	<b>REVENUE</b>	<b>EXPENDITURES</b>	<b>REVENUE</b>
GENERAL FUNDS		See Below		See Below
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS		See Below		See Below

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

LB 70 amends the Mechanical Amusement Device Act.

The bill adds new language to the Act that allows a city or village to levy an occupation tax upon the business of operating a mechanical amusement device within the boundaries of the city or village. A county may levy such a tax if the operation of the mechanical amusement device occurs outside the boundaries of any city or village.

The amount of the tax is to be equal to ten percent of the gross revenue derived from the operation of the device. The Tax Commissioner is to collect the occupation tax in the same manner that the state sales tax is collected and remit monthly the proceeds of the tax to the appropriate political subdivision. The Tax Commissioner shall deduct twenty percent of the proceeds for credit to the General Fund.

Gross revenue is defined as the total aggregate receipts received from the operation of any mechanical amusement device without any reduction for prizes, discounts, taxes, or expenses. It includes receipts from admission cost, any consideration necessary for participation and the value of any free tickets, games or plays.

LB 70 also provides that any occupation tax imposed pursuant to this bill is not subject to the requirements of Section 18-1208. Sec. 18-1208 requires a vote of the people if the projected revenue from the tax exceeds certain dollar amounts dependent on the size of the city or village.

Because of the variables involved, (number of machines statewide, gross revenue per machine, number of cities or counties that might adopt the tax) that are unknown, we are unable to determine an accurate estimate of fiscal impact. However, based on legislation introduced in 2010, in general, revenue could be in the range of \$9.6 million or greater to cities and counties, and \$2.4 million or greater to the General Fund.

We disagree with the Department of Revenue's estimate of cost and believe the Department can absorb the cost.

State Agency Estimate

State Agency Name: Department of Revenue

Date Due LFA: 1/22/2015

Approved by: Len Sloup

Date Prepared: 1/21/2015

Phone: 471-5896

	FY 2015-2016		FY 2016-2017		FY 2017-2018	
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue
General Funds	\$87,921	See below		See below		See below
Cash Funds						
Federal Funds						
Other Funds						
Total Funds	\$87,921	See below		See below		See below

LB 70 authorizes the imposition of a municipal or county occupation tax on the gross receipts (without a deduction for payouts) of a machine or device subject to the Mechanical Amusement Device Tax Act that awards a monetary prize or anything redeemable for a monetary prize. The 10% occupation tax will be collected by the Department of Revenue (Department) in the same manner as the sales tax and distributed monthly to the municipality or county imposing the tax, minus a 20% fee that is credited to the General Fund.

Machines and devices subject to the occupation tax are exempt from sales tax, unless the owner of a machine or device subject to the occupation tax is delinquent in payment of that tax. The occupation tax is administered and enforced in the same manner as the Mechanical Amusement Device Tax.

The Department cannot accurately determine the General Fund impact because the Department is unable to estimate the number of cities or counties that will adopt the occupation tax and the Department does not currently track receipts of the devices subject to the MAD tax.

LB 70 will require a one-time charge of \$87,921 paid to the OCIO for IT Development costs.

Major Objects of Expenditure

Class Code	Classification Title	15-16	16-17	17-18	15-16	16-17	17-18
		FTE	FTE	FTE	Expenditures	Expenditures	Expenditures
	Benefits.....						
	Operating Costs.....				\$87,921		
	Travel.....						
	Capital Outlay.....						
	Aid.....						
	Capital Improvements.....						
	Total.....				\$87,921		

Please complete ALL (5) blanks in the first three lines.

**2015**

**LB<sup>(1)</sup> 70**

**FISCAL NOTE**

State Agency OR Political Subdivision Name: <sup>(2)</sup>

League of Nebraska Municipalities

Prepared by: <sup>(3)</sup> Gary Krumland

Date Prepared: <sup>(4)</sup> 01/13/2015

Phone: <sup>(5)</sup> 402-476-2829

**ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION**

	<u>FY 2015-16</u>		<u>FY 2016-17</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	=====	=====	=====	=====

Explanation of Estimate: This bill could increase revenue for cities and villages. The amount of revenue generated would depend upon how many of the devices are located within the corporate limits of the municipality and whether the municipal governing body votes to enact the occupation tax.

**BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE**

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2015-16</u>	<u>2016-17</u>
	<u>15-16</u>	<u>16-17</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____

Please complete ALL (5) blanks in the first three lines.

**2015**

**LB<sup>(1)</sup> 70**

**FISCAL NOTE**

State Agency OR Political Subdivision Name: <sup>(2)</sup> NACO

Prepared by: <sup>(3)</sup> Elaine Menzel Date Prepared: <sup>(4)</sup> 1/13/2015 Phone: <sup>(5)</sup> 402-434-5660

**ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION**

	<u>FY 2015-16</u>		<u>FY 2016-17</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	=====	=====	=====	=====

Explanation of Estimate:

**BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE**

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2015-16</u>	<u>2016-17</u>
	<u>15-16</u>	<u>16-17</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....			_____	_____
Operating.....			_____	_____
Travel.....			_____	_____
Capital outlay.....			_____	_____
Aid.....			_____	_____
Capital improvements.....			_____	_____
TOTAL.....			_____	_____

LB 70 would allow counties to impose occupation taxes on certain mechanical amusement devices. Based on my research, the number of counties that have mechanical amusement devices operating outside the boundaries of any city or village is not readily available; therefore, the potential additional revenue is indeterminate.