

**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>	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$1,045,972	\$212,494,000	\$909,973	\$512,110,000
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
<b>TOTAL FUNDS</b>	<b>\$1,045,972</b>	<b>\$212,494,000</b>	<b>\$909,973</b>	<b>\$512,110,000</b>

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

LB 73 creates the Modern Tax Act.

The bill would impose a tax on the amount of interest paid by a qualified debtor on an eligible loan at a rate of five and one-half percent. The lender would be responsible for collecting the tax which would be due as the same time as any regularly scheduled payment and submitted to the Department of Revenue and then credited to the General Fund.

Eligible loans include the following:

- Loans secured by real estate located in Nebraska;
- Loans secured by a filing with the Secretary of State under the UCC;
- Loans secured by a vehicle titled in Nebraska;
- Loans secured by a security or commercial paper held in or delivered to a creditor in Nebraska;
- Loans over which Nebraska courts have jurisdiction and venue in an action for default in payment.

Qualified debtor is defined to include the following:

- Any resident of Nebraska;
- Any trust created under Nebraska law;
- Any corporation, LLC, or other type of business entity organized under Nebraska law or which has a principal office in Nebraska.

The tax does not apply to what are essentially wholesale loans or interbank loans, loans to government entities, or publicly traded bonds.

The Department of Revenue may adopt and promulgate rules and regulations to carry out the provisions of the Modern Tax Act.

The bill has an operative date of January 1, 2016.

The Department of Revenue estimates the following fiscal impact to the General Fund as a result of LB 73:

FY2015-16:	\$ 212,494,000
FY2016-17:	\$ 512,110,000
FY2017-18:	\$ 517,231,000
FY2018-19:	\$ 522,404,000

The Department estimates the cost to implement LB 73 will include a one-time programming charge of \$82,327 paid to the Office of the CIO to develop a new tax application and to cover mainframe development costs and required changes to the NebFile system.

In addition, the Department will require the following personnel to implement and enforce the new tax program and pursue collections against debtors under the Act: 2.0 FTE Attorney III, 4.0 FTE Revenue Auditor III, 1.0 FTE Revenue Audit Manager, 7.0 Revenue Agents, and 1.0 FTE Revenue Senior Agent.

Total cost for FY2015-16 is estimated at \$1,045,972, which includes PSL of \$668,154, and for FY 2016-17 total cost is estimated at \$909,973, with PSL of \$684,190.

We have no basis to disagree with the Department of Revenue's estimate of fiscal impact or cost.

**State Agency Estimate**

State Agency Name: Department of Revenue		Date Due LFA: 1/29/2015				
Approved by: Len Sloup		Date Prepared: 1/29/2015				
		Phone: 471-5896				
	<b>FY 2015-2016</b>		<b>FY 2016-2017</b>		<b>FY 2017-2018</b>	
	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>
General Funds	\$1,045,972	\$212,494,000	\$909,973	\$512,110,000	\$937,360	\$517,231,000
Cash Funds						
Federal Funds						
Other Funds						
Total Funds	\$1,045,972	\$212,494,000	\$909,973	\$512,110,000	\$937,360	\$517,231,000

LB 73 (Modern Tax Act) imposes a 5.5 percent excise tax on the amount of interest paid by a qualified debtor on any eligible loan. Lenders are required to collect and remit the tax to the Tax Commissioner on a monthly basis. All proceeds from the tax are deposited in the General Fund.

The tax is delinquent after 30 days. The qualified debtor is liable for a 5% penalty on any delinquent payment.

A qualified debtor is defined as any resident of Nebraska, trusts created under Nebraska law, or any corporation, limited liability company, or other business entity organized under Nebraska law or that has its principal office located in Nebraska.

An eligible loan is defined as a loan secured by: real estate located in Nebraska, a filing with the Secretary of State, security or commercial paper held in or delivered to a creditor in Nebraska, or a vehicle titled in Nebraska. An eligible loan would also include any loan over which the Nebraska courts have jurisdiction.

Loans to governmental entities, publicly traded bonds, or loan proceeds ultimately used by a licensed financial institution or insurance company to make loans are not subject to the tax imposed by this Act.

The Modern Tax Act takes effect on or after January 1, 2016.

The estimated increase in the General Fund revenues would be as follows:

FY 2015-2016	\$ 212,494,000
FY 2016-2017	\$ 512,110,000
FY 2017-2018	\$ 517,231,000
FY 2018-2019	\$ 522,404,000

LB 73 would require a one-time programming charge of \$82,327 paid to the OCIO to develop a new tax application, and to cover mainframe development costs and required changes to the NebFile online filing system.

The bill would also require 2.0 Attorney III, 4.0 Revenue Auditor III, 1 Revenue Audit Manager, 7 Revenue Agent, and 1 Revenue Senior Agent to administer and enforce the new tax program and pursue collections against debtors under the act.

**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
G31113	Attorney III	2	2	2	\$129,567	\$132,677	\$135,861
A21253	Revenue Auditor III	4	4	4	\$197,209	\$201,942	\$206,789
G21261	Revenue Audit Manger	1	1	1	\$65,838	\$67,418	\$69,036
X29222	Revenue Agent	7	7	7	\$236,498	\$242,174	\$247,986
X29223	Revenue Senior Agent	1	1	1	\$39,042	\$39,979	\$40,938
Benefits.....					\$220,491	\$225,783	\$236,750
Operating Costs.....					\$82,327		
Travel.....							
Capital Outlay.....							
Aid.....							
Capital Improvements.....					\$75,000		
<b>Total.....</b>					<b>\$1,045,972</b>	<b>\$909,973</b>	<b>\$937,360</b>