

LB 829 FISCAL NOTE

Revised on 6/4/91 based on amendments adopted through 6/3/91.

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June 4, 1991

FUND	EXPENDITURE	REVENUE
General	\$64,624,406	\$57,099,170
Cash		
Federal		
Revolving		
TOTAL 1991-92	\$64,624,406	\$57,099,170
TOTAL 1992-93	\$32,092,885	\$26,803,350

LB 829, as amended, exempts personal property from property taxation for tax year 1993 provides for reimbursement to political subdivisions, and institutes several tax changes to finance the reimbursement. The bill also makes several technical changes relating to, refund and refund negotiations.

Changes to Property Base

LB 829 exempts all personal property from property taxation for tax year 1991; however, the bill provides for reimbursement based on value of personal property in political subdivision and, their associated levy requirements. The Tax Commissioner is authorized to prorate the reimbursement if the appropriation is not satisfactory. The state is to make nine equal payments for reimbursement for lost tax base. Assuming a 3% growth in property taxes paid the state could owe \$96,973,000 to local subdivisions for the exemptions in LB 829.

State tax Changes

Listed below is a brief description of new taxes implemented by LB 829 to finance the reimbursement to political subdivisions:

1. Depreciation Surcharge: This puts a 2% tax on depreciation expenses claimed on federal income tax returns by businesses and individuals. Depreciation is claimed on business equipment, improvements to real estate, and operating capital, etc. The bill exempt motor vehicles, trailers and semi-trailers from this depreciation tax. Public service companies (telephone companies, pipelines, long distance companies, etc.), airline carriers, and railroads are taxed at a 4% rate.

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Estimated Revenue:

FY91-92	FY92-93	FY93-94	Total
\$27,164,174	\$16,339,353	\$7,556,951	\$51,060,478

2. Corporate Income Tax Surcharge: Places an additional tax on corporate taxable income in excess of \$200,000. Currently, income over \$200,000 is taxed at a 7.81% rate; with the 15% surcharge, the income in excess of \$200,000 will be taxed at a 8.99% rate for tax year 1991. This estimate assumes no credits will be allowed against this liability.

Estimated Revenue:

FY91-92	FY92-93	FY93-94	Total
\$3,593,000	\$5,177,000	\$1,100,000	\$9,870,000

3. Corporate Filing Fee: Increases all occupation tax rates by \$150 and exempts non-profit 501 (C) (3) organizations from the additional tax. The new tax is for 1992 and will be due in April, 1992. There are approximately 30,000 domestic corporations, 5,500 foreign corporations and 4,750 non-profit organizations that will realize increased occupation taxes.

Estimated Revenue:

FY91-92	Total
\$6,037,000	\$6,037,000

4. Repeal Sales Tax Exemption on Fuel and Electricity: Currently, fuel or electricity used in manufacturing or farming or used by hospitals is exempt from sales tax. LB 829 would maintain the exemption for farming operations but institute the sales tax on electrical and fuel purchases by manufacturers, electrical producers and hospitals. The tax is only applicable to sales between October 1, 1991 to September 30, 1992. The bill also provides for a refund provision. It is assumed the Department of Revenue will make refunds after the collection period is over.

Estimated Revenue:

FY91-92	FY92-93	Total
\$16,168,000	\$2,332,000	\$18,500,000

5. Reduce the Sales Tax Collection Fee: Retailers are currently allowed to collect 3% of the first \$5,000 in monthly sales taxes remitted to the state and 1% on remittances over \$5,000. LB 829 proposes to reduce the fee to 1.5% on remittances under \$1,000 and .5% on remittances over \$1,000. The change is only for October 1, 1991 to Sept. 30, 1992.

Estimated Revenue:

FY91-92	FY92-93	Total
\$4,137,000	\$2,955,000	\$7,092,000

Other changes include:

1. Clearly establishes that refunds will only be paid to plaintiffs that file the complete legal due process.

2. Allows the Tax Commissioner to negotiate with centrally assessed property taxpayers on behalf of the political subdivisions. This may facilitate a reduced settlement on current litigation claims.
3. Extends the LB 1059 (1989) lid to July 1, 1994.
4. The bill also repeals the requirement that the Department of Revenue complete a sales assessment ratio by school district. This will reduce the Department's appropriation by \$593,790 in FY91-92 and \$439,674 in FY92-93.

The Department of Revenue will also require funds to implement, collect, and enforce the new tax laws. The tax changes may require \$576,196 in FY91-92 and \$201,559 in FY92-93. This appropriation will be used to hire approximately six staff in FY91-92 and two staff in FY92-93, data processing changes, printing and other necessary materials.