

LEGISLATIVE BILL 892

Approved by the Governor April 9, 1984

Introduced by Revenue Committee, Carsten, 2, Chairperson; Hannibal, 4; V. Johnson, 8; Pappas, 42; Sieck, 24; Hefner, 19; Lundy, 36; Landis, 46

AN ACT relating to revenue and taxation; to amend section 77-2715.01, Revised Statutes Supplement, 1983; to set income and sales tax rates; to create a board; to provide for a projection of economic activity; to provide duties; to change provisions relating to the setting of tax rates; to provide operative dates; and to repeal the original section.

Be it enacted by the people of the State of Nebraska,

Section 1. Pursuant to section 77-2715.01, the rate of the income tax imposed by section 77-2715 shall be nineteen per cent.

Sec. 2. Pursuant to section 77-2715.01, the rate of the sales tax imposed by section 77-2703 shall be three and one half per cent.

Sec. 3. To assist the Governor in developing estimates of revenue pursuant to section 81-125 and the Legislature in setting the rates of the income tax and sales tax pursuant to section 77-2715.01, there is hereby created the Nebraska Economic Forecasting Advisory Board.

Sec. 4. The Nebraska Economic Forecasting Advisory Board shall consist of nine members, five of whom shall be appointed by and serve at the pleasure of the Executive Board of the Legislative Council and four of whom shall be appointed by and serve at the pleasure of the Governor. Each member of the board shall have demonstrated expertise in the field of tax policy, economics, or economic forecasting. A majority of the members of the board shall constitute a quorum for the purpose of transacting business and every act of a majority of the members shall be deemed an act of the board. Board members shall serve without compensation, but may be reimbursed for actual and necessary expenses as provided in sections 84-306.01 to 84-306.05 for state employees.

Sec. 5. The Nebraska Economic forecasting Advisory Board shall meet quarterly during the months of March, June, September, and December of each year for the purpose of developing a consensus projection of economic activity in Nebraska for the subsequent twelve-month period. The board shall estimate growth or decline for the subsequent twelve-month period in the state unemployment rate, gross state product, statewide personal income, and

such other indices of state economic activity as the board may deem appropriate.

Sec. 6. The Legislative Fiscal Analyst and the Department of Revenue shall provide such staff support as the Nebraska Economic Forecasting Advisory Board may require. The Legislative Fiscal Analyst, in developing revenue estimates pursuant to LB 664, Eighty-eighth Legislature, Second Session, 1984, and the Department of Revenue, in developing revenue estimates for the Governor pursuant to section 81-125, shall consider the estimates of economic activity developed by the board pursuant to section 5 of this act.

Sec. 7. That section 77-2715.01, Revised Statutes Supplement, 1983, be amended to read as follows:

77-2715.01. (1)(a) Commencing in 1984 the Legislature shall ~~annually~~ set the rate of the income tax imposed by section 77-2715 ~~for the taxable year beginning in the subsequent calendar year,~~ and the rate of the sales tax imposed by subsection (1) of section 77-2703. ~~which will be effective from January 1 through December 31 of the succeeding year, except that for the period May 1 through December 31, 1982, the rate of the sales tax shall be three and one half per cent.~~

~~The rates in effect on January 1, 1984, shall remain in effect until permanent rates are set by the Legislature in accordance with the provisions of sections 77-2703, 77-2715-01, and 81-125.~~

(b) The Legislature shall set the rates of the sales tax and income tax so that the estimated funds available plus estimated receipts from the sales, use, income, and franchise taxes will be not less than three per cent nor more than seven per cent in excess of the appropriations and express obligations for the next two succeeding calendar years. The purpose of this subdivision is to insure that there shall be maintained in the state treasury an adequate General Fund balance, considering cash flow, to meet the appropriations and express obligations of the state.

(c) The rates of the sales and income taxes shall be fixed so that the total sales and use taxes levied will as nearly as possible equal the total individual income tax levied for the calendar year for which the rates so fixed will be effective. The Legislature shall set the rates in such a manner that total sales and use tax revenue should not exceed total individual income tax revenue in any particular year.

(d) For purposes of this subsection, total sales and use taxes levied shall mean the total state sales and use tax liability of all taxpayers for the calendar year reduced by the additional one half of one per cent sales and use tax imposed by section 77-2715.04. Total income and franchise taxes levied shall mean the total state income and franchise tax liability of all taxpayers for the

calendar year.

(e) The sales tax rate so fixed by the Legislature shall be an increment of one half of one per cent, and the income tax rate so fixed shall be an increment of one per cent.

(f) For purposes of this section, express obligation shall mean an obligation which has fiscal impact identifiable by a sum certain or by an established percentage or other determinative factor or factors.

(2) The Speaker of the Legislature and the chairpersons of the Legislature's Executive Board, Revenue Committee, and Appropriations Committee shall meet with the Tax Commissioner within ten days after the fifteenth of July and October of each year and shall determine whether the rates for sales tax and income tax should be changed. In making such determination they shall recalculate the requirements pursuant to the formula set forth in subsection (1) of this section, taking into consideration the appropriations and express obligations for any session, all miscellaneous claims, deficiency bills, and all emergency appropriations.

In the event it is determined by a majority vote that the rates must be changed as a result of a regular or special session or as a result of a change in the provisions of the Internal Revenue Code of 1954 and amendments thereto, other provisions of the laws of the United States relating to federal income taxes, and the rules and regulations issued under such laws, they shall petition the Governor to call a special session of the Legislature to make whatever rate changes may be necessary.

Sec. 8. Section 1 of this act shall become operative for all taxable years commencing on or after January 1, 1984. The remaining sections of this act shall become operative on their effective date.

Sec. 9. That original section 77-2715.01, Revised Statutes Supplement, 1983, is repealed.