## ESTIMATE OF FISCAL IMPACT - STATE AGENCIES (See narrative for political subdivision estimates)

| GENERAL FUNDS | FY 2014-15 |  | FY 2015-16 |  |
| :---: | :---: | :---: | :---: | :---: |
|  | EXPENDITURES | REVENUE | EXPENDITURES | REVENUE |
|  | \$55,563 | $(\$ 8,347,000)$ | \$44,338 | (\$24,930,000) |
| CASH FUNDS |  |  |  |  |
| FEDERAL FUNDS |  |  |  |  |
| OTHER FUNDS |  |  |  |  |
| TOTAL FUNDS | \$55,563 | $(\$ 8,347,000)$ | \$44,338 | (\$24,930,000) |

Any Fiscal Notes received from state agencies and political subdivisions are attached following the Legislative Fiscal Analyst Estimate.
LB 987 amends Nebraska Revised Statutes Sections 77-2715.03 and 77-2716 dealing with Nebraska income tax.
Section 77-2715.03 is amended to provide, beginning with taxable years beginning on or after January 1, 2015, for indexing of the income brackets for inflation. The indexed rate is to be determined by the Tax Commissioner pursuant to section 1(f) of the Internal Revenue Code of 1986, as amended. The indexing is to be done annually. The tax rate is unchanged.

Section 77-2716 is amended to provide for a reduction in federal adjusted gross income (AGI) by the amount received as Social Security benefits which are included in federal AGI for Nebraska income tax purposes. The adjustment applies to those taxpayers with federal AGI of $\$ 58,000$ or less for married filing joint returns and $\$ 43,000$ or less for all other returns.

The Department of Revenue estimates the following fiscal impact to the General Fund:

| FY2014-15: | $(\$ 8,347,000)$ |
| :--- | :--- |
| FY2015-16: | $(\$ 24,930,000)$ |
| FY2016-17: | $(\$ 37,284,000)$ |
| FY2017-18: | $(\$ 51,617,000)$ |

The Department indicates that LB 987 will require a programming charge of $\$ 55,563$ paid to the office of CIO for mainframe and web development costs for the first year. For the second year and beyond, LB 987 will require a charge of $\$ 44,338$ paid to the office of the CIO each year that tax brackets change.

There is 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: |  |
| Approved by: Kim Conroy | Date Prepared: |  |  |  | Phone: 471-5896 |  |
|  | FY 2014-2015 |  | FY 2015-2016 |  | FY 2016-2017 |  |
|  | Expenditures | Revenue | Expenditures | Revenue | Expenditures | Revenue |
| General Funds | \$55,563 | (\$8,347,000) | \$44,338 | (\$24,930,000) | \$44,338 | (\$37,284,000) |
| Cash Funds |  |  |  |  |  |  |
| Federal Funds |  |  |  |  |  |  |
| Other Funds |  |  |  |  |  |  |
| Total Funds | \$55,563 | (\$8,347,000) | \$44,338 | (\$24,930,000) | \$44,338 | (\$37,284,000) |

LB 987 indexes each individual income tax bracket as provided in the Internal Revenue Code $\S 1(\mathrm{f})$, with a base year of 2013. LB 987 also allows for an exclusion of Social Security benefits from Nebraska income subject to tax to the extent it is included in the federal adjusted gross income (AGI) for married, filing jointly filers whose federal AGI is $\$ 58,000$ or less and for all other filers whose federal AGI is $\$ 43,000$ or less.

The indexing of the individual income tax brackets and the exclusion of Social Security benefits apply to tax years beginning or deemed to begin on or after January 1, 2015.

The estimated reduction to General Fund revenue would be as follows:

| FY 2014-2015 | $\$ 8,347,000$ |
| :--- | :--- |
| FY 2015-2016 | $\$ 24,930,000$ |
| FY 2016-2017 | $\$ 37,284,000$ |
| FY 2017-2018 | $\$ 51,617,000$ |

LB 987 will require a programming charge of $\$ 55,563$ paid to the OCIO for mainframe and web development costs for the first year. For the second year and beyond, LB 987 will require a charge of $\$ 44,338$ paid to the OCIO each year that the tax brackets change.

| Major Objects of Expenditure |  |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Class Code | Classification Title | $\begin{gathered} \text { 14-15 } \\ \text { FTE } \end{gathered}$ | $\begin{gathered} \text { 15-16 } \\ \text { FTE } \end{gathered}$ | $\begin{gathered} \text { 16-17 } \\ \text { FTE } \end{gathered}$ | 14-15 <br> Expenditures | $15-16$ <br> Expenditures | 16-17 <br> Expenditures |
|  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
| Benefits........ |  |  |  |  |  |  |  |
| Operating Costs. |  |  |  |  | \$55,563 | \$44,338 | \$44,338 |
| Travel............ |  |  |  |  |  |  |  |
| Capital Outlay. |  |  |  |  |  |  |  |
| Aid.............. |  |  |  |  |  |  |  |
| Capital Improven |  |  |  |  |  |  |  |
| Total.............. |  |  |  | ........ | \$55,563 | \$44,338 | \$44,338 |

