

Revised due to adoption of amendment on Select File

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2014-15		FY 2015-16	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$176,966	(\$8,347,000)	\$44,338	(\$25,586,000)
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$176,966	(\$8,347,000)	\$44,338	(\$25,586,000)

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

LB 987, as amended by AM2458, amends the Nebraska Revenue Act of 1967 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 as a result of exempting Social Security benefits and indexing of the tax brackets:

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.

Section 77-2716 is amended by AM2458 to provide, beginning with tax year 2015, an exclusion from AGI for a portion of military retirement benefits. An individual may make a one-time election, within two years of their separation from military service, to exclude 40% of their military benefit from AGI for seven consecutive taxable years beginning in the year in which the election is made or they may choose to exclude 15% of their military benefit from AGI for all taxable years beginning with the year in which the individual turns age 67.

The Department of Revenue estimates the following fiscal impact of AM2458 to the General Fund:

FY2014-15:	\$ 0
FY2015-16:	(\$ 656,000)
FY2016-17:	(\$ 847,000)
FY2017-18:	(\$ 1,050,000)
FY2018-19:	(\$ 1,265,000)

The Department of Revenue indicates that AM2458 will require a one-time programming charge of \$121,403 paid to the office of the CIO to add a new schedule to the 1040N form, as well as the NebFile online filing system, and to build a web application to allow military retirees to make their election online.

We agree with the Department of Revenue's estimate of fiscal impact and cost for AM2458.