PREPARED BY: DATE PREPARED: PHONE: Doug Gibbs February 08, 2017 402-471-0051

LB 169

Revision: 00

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT - STATE AGENCIES (See narrative for political subdivision estimates)							
	FY 201	7-18	FY 2018-19				
	EXPENDITURES REVENUE		EXPENDITURES	REVENUE			
GENERAL FUNDS	\$55,518	(\$106,204,000)	\$0	(\$260,731,000)			
CASH FUNDS							
FEDERAL FUNDS							
OTHER FUNDS							
TOTAL FUNDS	\$55,518	(\$106,204,000)	\$0	(\$260,731,000)			

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

LB 169 amends the Nebraska Revenue Act of 1967 Nebraska Revised Statutes Section 77-2716 to exclude certain retirement benefits from the calculation of Nebraska income tax by allowing reductions to federal adjusted gross income (AGI) for taxable years beginning on or after January 1, 2018, by the total amount of those benefits.

Retirement benefits received under the following acts or systems would qualify for the reduction in AGI:

- Social Security benefits
- > Private pensions and annuities qualified under 401(a) and 403(a) of the Internal Revenue Code
- Class V School Employees Retirement Act
- > Nebraska County Employees Retirement Act
- Nebraska Judges Retirement Act
- Nebraska State Patrol Retirement Act
- > Nebraska School Employees Retirement Act
- Nebraska State Employees Retirement Act
- United States Civil Service Retirement System
- Federal Employees Retirement System
- Military retirement benefits

Military retirement benefit means retirement benefits that are periodic payments attributable to service in the uniformed services of the United States for personal services performed by an individual prior to his or her retirement.

The Department of Revenue estimates the following fiscal impact to the General Fund as a result of the provisions of LB 169:

FY2017-18: (\$ 106,204,000) FY2018-19: (\$ 260,731,000) FY2019-20: (\$ 275,071,000) FY2020-21: (\$ 290,200,000)

The Department of Revenue indicates they will need an expenditure of \$55,518 paid to the Office of the CIO for a one-time programming charge for mainframe and web development.

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

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE					
LB:169 AM: AGENCY/POLT. SUB: Department of Revenue					
REVIEWED	BY: Lyn Heaton	DATE: 2/8/2017	PHONE: (402) 471-4181		
COMMENTS: No basis upon which to disagree with the Dept. of Revenue's analysis.					

LB 169 Fiscal Note 2017

State Agency Estimate						
State Agency Name: Department	of Revenue				Date Due LFA:	2/8/2017
Approved by: Tony Fulton		Date Prepared:	2/7/2017		Phone: 471-5896	
	FY 2017-2018		FY 2018-2019		FY 2019-2020	
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue
General Funds	\$55,518	(\$106,204,000)		(\$260,731,000)		(\$275,071,000)
Cash Funds						
Federal Funds						
Other Funds						
Total Funds	\$55,518	(\$106,204,000)		(\$260,731,000)		(\$275,071,000)

LB 169 would provide a reduction from federal AGI for tax years beginning or deemed to begin on or after January 1, 2018 for social security benefits and specified retirement benefits. Retirement benefits are those qualified under IRC §§ 401(a) or 403 (a); military retirement benefits; and retirement benefits received from Nebraska school, county, judges, state patrol, and state employees acts and U.S. civil service and federal retirement systems.

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

FY2017-18	\$ (106,204,000)
FY2018-19	\$ (260,731,000)
FY2019-20	\$ (275,071,000)
FY2020-21	\$ (290,200,000)

LB 169 would require a one-time programming charge of \$55,518 paid to the OCIO for mainframe development and web development.

Major Objects of Expenditure							
Class Code	Classification Title	17-18 <u>FTE</u>	18-19 <u>FTE</u>	19-20 <u>FTE</u>	17-18 Expenditures	18-19 Expenditures	19-20 Expenditures
Benefits							
Operating Costs.					\$55,518	\$0	\$0
Aid							
Capital Improvements Total		•••••	· · · · · · · · · · · · · · · · · · ·		\$55,518	\$0	\$0