PREPARED BY: DATE PREPARED: PHONE: John Wiemer January 31, 2023 402-471-0051 **LB 641** 

Revision: 00

## **FISCAL NOTE**

## LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT - STATE AGENCIES (See narrative for political subdivision estimates)						
	FY 2023-24		FY 2024-25			
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE		
GENERAL FUNDS		(\$47,664,000)		(\$31,802,000)		
CASH FUNDS						
FEDERAL FUNDS						
OTHER FUNDS						
TOTAL FUNDS		(\$47,664,000)		(\$31,802,000)		

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

LB 641 seeks to change provisions related to social security benefits and federal adjusted gross income starting in taxable year 2023. Federal adjusted gross income is reduced by a percentage of the social security benefits received and included in the federal adjusted gross income. The percentage is set to increase each year until 100% of social security benefits can be deducted. The percent of the exemption for social security benefits are changed to the following for the years listed below:

- Jan 1, 2023 to Jan 1, 2024: 70%
- Jan 1, 2024 and after: 100%

Additionally, LB 641 makes changes to the existing exemption for lower-income recipients so that it ends at the end of taxable year 2023. For 2023, the taxpayer can, thus, still utilize the exemption for lower income recipients or the 70% exemption, whichever provides the greater reduction.

The Department of Revenue (DOR) estimates the following General Fund revenue reductions from this bill:

- FY 2023-24: (\$47,664,000)
- FY 2024-25: (\$31,802,000)
- FY 2025-26: (\$11,751,000)
- FY 2026-27: \$

The DOR estimates that there will be minimal costs for it to implement this bill.

There is no basis to disagree with these estimates.

ADMINI	STRATIVE SERVICE	S STATE BUDGET DIVISION: REVIE	W OF AGENCY & POLT. SUB. RESPONSE	
LB: 641	LB: 641 AM: AGENCY/POLT. SUB: Department of Revenue			
REVIEWED B	Y: Neil Sullivan	DATE: 2/1/2023	PHONE: (402) 471-4179	
COMMENTS: The Department of Revenue assessment of fiscal impact from LB 641 appears reasonable.				

LB 641 Fiscal Note 2023

State Agency Estimate						
State Agency Name: Department	t of Revenue				Date Due LFO:	
Approved by: Glen White Dat		Date Prepared:	01/31/2023	Phone: 471-5896		
	FY 202	23-2024	FY 2024-2025		FY 2025-2026	
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue
General Funds		\$ (47,664,000)		\$ (31,802,000)		\$ (11,751,000)
Cash Funds						
Federal Funds						
Other Funds						
Total Funds		\$ (47,664,000)		\$ (31,802,000)		\$ (11,751,000)
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LB 641 amends Neb. Rev. Stat. § 77-2716(14) to change the taxation of benefits received under the federal Social Security Act (social security benefits) included in the federal adjusted gross income (federal AGI) of the taxpayer.

For taxable year beginning on or after January 1, 2023 and before January 1, 2024, the taxpayer may exempt 70% of the social security benefits to the extent included in the federal AGI. For taxable year 2023, taxpayers can claim either the percentage reduction enacted by LB 641 or the previously existing exemption for low-income recipients, whichever is greater.

For taxable years beginning on or after January 1, 2024, the taxpayer may exempt 100% of the social security benefits to the extent included in the federal AGI.

The estimated fiscal impact to the General Fund revenues would be as follows:

FY 2023-24	\$ (47,664,000)
FY 2024-25	\$ (31,802,000)
FY 2025-26	\$ (11,751,000)
FY 2026-27	\$ _

Fiscal Year 2023-24 shows a larger impact because taxpayers already paid their withholding for tax year 2023 and will claim it when the taxpayer file their 2023 tax return in early 2024. Taxpayers will begin to adjust their withholding or estimated payment, or both beginning January 1, 2024 to reflect the new social security benefits adjustment.

It is estimated that there will be minimal costs to the Department of Revenue to implement this bill.

Major Objects of Expenditure							
Class Code	Classification Title	23-24 <u>FTE</u>	24-25 <u>FTE</u>	25-26 <u>FTE</u>	23-24 Expenditures	24-25 Expenditures	25-26 Expenditures
Benefits							
Operating Costs	Operating Costs						
Travel							
Capital Outlay							