

**FISCAL NOTE**  
**LEGISLATIVE FISCAL ANALYST ESTIMATE**

<b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES</b> (See narrative for political subdivision estimates)				
	<b>FY 2013-14</b>		<b>FY 2014-15</b>	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$30,248	(\$8,353,000)		(\$6,163,000)
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
<b>TOTAL FUNDS</b>	<b>\$30,248</b>	<b>(\$8,353,000)</b>		<b>(\$6,163,000)</b>

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

LB 238 amends the Nebraska Revenue Act of 1967, Section 77-2716 to add exclusions to the state income tax.

Beginning in January 1, 2013 and each tax year thereafter, the bill would exclude some or all retirement income from federally adjusted gross income (AGI) for state income tax purposes.

Retirement income received from Social Security benefits, a qualified retirement plan under section 401(a) or 403(a) of the IRS code of 1986, the Class V School Employees plan, the County Employees plan, the Judges plan, the State Patrol plan, the School Employees plan, the State Employees plan, the U.S. civil service retirement system, and U.S. military retirement system would be covered by the exclusion provided in LB 238.

The amount excluded would equal one dollar for every dollar of nonretirement income, not to exceed \$60,000 for someone filing a married, filing jointly return and not to exceed \$30,000 for every other type of return. The exclusion is reduced dollar for dollar by the amount federal AGI exceeds \$120,000 for a married, filing jointly return and \$60,000 for all other returns.

Nonretirement income is defined as income other than retirement income, earned in Nebraska that is included in the taxpayer's federal AGI. Nonretirement income excludes investment income.

The Department of Revenue estimates the following impact to the General Fund as a result of LB 238:

FY2013-14:	(\$8,353,000)
FY2014-15:	(\$6,163,000)
FY2015-16:	(\$6,513,000)

The cost for FY2013-14 is more than the two subsequent fiscal years due to the fact that with an exemption starting with tax years beginning on or after January 1, 2013, estimated payments and withholding will have been made in 2013 that will then be refunded in 2014.

The Department of Revenue estimates a one-time programming cost of \$30,248 paid to the Office of the CIO to add a line and schedule to the Form 1040N, as well as to the NebFile online system.

There is no basis to disagree with the Department's estimate of fiscal impact or cost.

<b>ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY &amp; POLT. SUB. RESPONSES</b>			
LB: 238	AM:	AGENCY/POLT. SUB: Dept. of Revenue	
REVIEWED BY: Lyn Heaton		DATE: 1/29/2013	PHONE: 402.471.4181
COMMENTS: No basis upon which to disagree with the Dept. of Revenue's analysis.			

