

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

<b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES</b> (See narrative for political subdivision estimates)				
	<b>FY 2017-18</b>		<b>FY 2018-19</b>	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS		(\$4,157,000)		(\$13,112,000)
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
<b>TOTAL FUNDS</b>		(\$4,157,000)		(\$13,112,000)

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

LB 121 amends the Nebraska Revenue Act of 1967, Section 77-2716, regarding modifications and exclusions to federal adjusted gross income (AGI) for Nebraska state income tax purposes.

Military retirement benefits are defined as periodic payments attributable to service in the uniformed services of the U.S. for personal services performed by the individual prior to their retirement date.

The bill provides that beginning taxable year January 1, 2018, AGI shall exclude a portion of income received as military retirement benefits for each individual included in the tax return who receives such benefits to the extent it is included in federal AGI, as follows:

- For tax year 2018, income to be excluded shall not exceed \$10,000
- For tax year 2019, income to be excluded shall not exceed \$20,000
- For tax year 2020, income to be excluded shall not exceed \$30,000
- For tax year 2021, income to be excluded shall not exceed \$40,000
- For tax year 2022 and thereafter, income to be excluded shall not exceed \$50,000

The bill also changes the current language regarding the one-time election a taxpayer may make regarding the exclusion of military retirement income by an individual to say that they may choose such exclusion on or before December 31, 2017 or within two calendar years from the date of their retirement from the military, whichever comes first. LB 121 also adds language to this section to allow an individual who has previously made such an election to revoke that election by notifying the Department of Revenue before December 31, 2018.

The Department of Revenue estimates the following fiscal impact to the General Fund as a result of LB 121:

FY2017-18:	(\$ 4,157,000)
FY2018-19:	(\$ 13,112,000)
FY2019-20:	(\$ 19,519,000)
FY2020-21:	(\$ 23,834,000)
FY2021-22:	(\$ 27,045,000)

The Department of Revenue indicates the cost to implement LB 121 will be minimal.

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

<b>ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY &amp; POLT. SUB. RESPONSE</b>		
LB:121	AM:	AGENCY/POLT. SUB: Department of Revenue
REVIEWED BY: Lyn Heaton	DATE: 2/8/2017	PHONE: <a href="tel:4024714181">402) 471-4181</a>
COMMENTS: No basis upon which to disagree with the Dept. of Revenue's analysis.		

