LB 153

Revision: 01

FISCAL NOTE

Updated for 2020 session and includes any adopted amendments

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)

	FY 2020-21		FY 2021-22	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS		($4,947,000)		($12,629,000)
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS		($4,947,000)		($12,629,000)

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

LB 153 replaces the current election to exclude a portion of military retirement income from federal adjusted gross income with an exclusion of 50% of all military retirement income, beginning with tax years on or after January 1, 2020.

Revenue:

The Department of Revenue estimates revenue to the General Fund as follows:

FY 20-21   ($16,821,000)

FY 21-22   ($12,629,000)

FY 22-23   ($13,339,000)

FY 23-24   ($14,087,000)

Because the exclusion begins January 1, 2020, the department's estimate of revenue loss the first year increases as individuals claim refunds or reductions in final payments on their 2020 income tax returns in 2021.

For purposes of our estimate, we assume that the bill will be operative for tax years beginning on or after January 1, 2021, and therefore, our estimate in the FY 20-21 is less than the department's. The Legislative Fiscal Office estimates revenue to the General Fund as follows:

FY 20-21   ($4,947,000)

FY 21-22   ($12,629,000)

FY 22-23   ($13,339,000)

FY 23-24   ($14,087,000)

Expenditures:

The Department of Revenue estimates the costs to implement the bill will be minimal.

There is no basis to disagree with this estimate.

State Agency Estimate

State Agency Name: Department of Revenue				Date Due LFA:	11/27/2019
Approved by: Tony Fulton		Date Prepared:	11/5/2019	Phone: 471-5896	

	FY 2020-2021		FY 2021-2022		FY 2022-2023	
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue
General Funds	$ 0	($16,821,000)	$ 0	($ 12,629,000)	$ 0	($ 13,339,000)
Cash Funds						
Federal Funds						
Other Funds						
Total Funds	$ 0	($16,821,000)	$ 0	($ 12,629,000)	$ 0	($ 13,339,000)

LB 153 amends Neb. Rev. Stat. § 77-2716 (Nebraska Adjustment to federal AGI). It will end the current, elective exclusion for military retirees and replace it with a 50% exclusion for all military retirement benefits, to the extent included in federal AGI, beginning with taxable years beginning on or after January 1, 2020.

Military benefits received before January 1, 2020 that qualify for exclusion as a result of filing an Election to Exclude Military Retirements Benefits, Form 1040N-MIL, will continue to qualify for exclusion through December 31, 2019.

Using the micro simulation model with individual income tax data for tax year 2017 and military retirement payment data for tax year 2016, the estimated reduction to General Fund revenue will be as follows:

FY 2020-21	$ (16,821,000)
FY 2021-22	$ (12,629,000)
FY 2022-23	$ (13,339,000)
FY 2023-24	$ (14,087,000)

The estimated reduction for FY20-21 is higher due to a decrease in tax liability for tax year 2020, which will be claimed as refunds or reductions in final payments when taxpayers file their 2020 income tax returns in April 2021. There will be changes to the individual income tax instructions on the Individual Income Tax Return, Form 1040N and in the booklet. It is estimated that there will be minimal costs to the Department to implement this bill.

Major Objects of Expenditure

Class Code	Classification Title	20-21 FTE	21-22 FTE	22-23 FTE	20-21 Expenditures	21-22 Expenditures	22-23 Expenditures
Benefits……………………………………………………………………………..							
Operating Costs……………………………………………………………………							
Travel……………………………………………………………………………..							
Capital Outlay…………………………………………………………………...							
Capital Improvements…………………………………………………………...							
Total…………………………………………………………………………..							