

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2022-23		FY 2023-24	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$52,535	(\$369,065,000)		(\$276,668,000)
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$52,535	(\$369,065,000)		(\$276,668,000)

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

LB 1180 changes the income tax brackets for individual income tax beginning in tax year 2022. Generally, the brackets are adjusted up as follows:

Single and Married Filing Separate	Married Filing Jointly	Head of Household	Estates and Trusts	Tax Rate
\$0 - \$3,339	\$0 - \$6,659	\$0 - \$6,219	\$0 - \$499	2.46%
\$3,340 - \$19,989	\$6,660 - \$39,989	\$6,620 - \$31,989	\$500 - \$4,699	3.51%
\$19,990 - \$59,999	\$39,990 - \$149,999	\$31,990 - \$86,999	\$4,700 - \$15,149	5.01%
Over \$60,000	Over \$150,000	Over \$87,000	Over \$15,150	6.84%

LB 1180 provides for the brackets to be adjusted for inflation, for tax years beginning on or after January 1, 2023, based on the percentage change in the Consumer Price Index for All Urban Consumers, from the 12 month period ending August 31, 2021, compared to the 12 month period from the 12 months ending the August 31 of the preceding year. The bill also updates the references to the indexing of the amount of social security income that is included in federal adjusted gross income.

REVENUE:

The Department of Revenue estimates the following impact on the General Fund:

FY22-23	(\$369,065,000)
FY23-24	(\$276,668,000)
FY24-25	(\$291,884,000)
FY25-26	(\$307,938,000)

The estimate includes a larger impact in FY22-23 due to the timing of the changes for tax year 2022: the impact effectively includes 17 months because taxpayers are unlikely to adjust their withholding during 2022, but rather the return filed in early 2023 will reflect the new brackets. Withholding and estimated payments will be adjustment beginning in January 2023 to reflect the new brackets.

EXPENDITURES:

The department estimates a one-time charge of \$52,535 to OCIO for programming.

There is no basis to disagree with these estimates.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE

LB: 1180 AM: AGENCY/POLT. SUB: Department of Revenue

REVIEWED BY: Neil Sullivan DATE: 2/14/2022 PHONE: (402) 471-4179

COMMENTS: No basis to disagree with the Department of Revenue assessment of fiscal impact from LB 1180.

State Agency Estimate

State Agency Name: Department of Revenue		Date Due LFO:			
Approved by: Tony Fulton		Phone: 471-5896			
Date Prepared: 2/14/2022					
<u>FY 2022-2023</u>		<u>FY 2023-2024</u>		<u>FY 2024-2025</u>	
<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>
General Funds	\$52,535 \$(369,065,000)		\$(276,668,000)		\$(291,884,000)
Cash Funds					
Federal Funds					
Other Funds					
Total Funds	\$52,535 \$(369,065,000)		\$(276,668,000)		\$(291,884,000)

LB 1180 amends Neb. Rev. Stat § 77-2715.03 to change the individual income tax brackets for taxable years beginning on or after January 1, 2022 to the following:

Bracket	Single and Married Filing Separate	Married Filing Jointly	Head of Household	Estates and Trusts	Tax Rate
1	\$0 - \$3,339	\$0 - \$6,659	\$0 - \$6,219	\$0 - \$499	2.46%
2	\$3,340 - \$19,989	\$6,660 - \$39,989	\$6,220 - \$31,989	\$500 - \$4,699	3.51%
3	\$19,990 - \$59,999	\$39,990 - \$149,999	\$31,990 - \$86,999	\$4,700 - \$15,149	5.01%
4	Over \$60,000	Over \$150,000	Over \$87,000	Over \$14,150	6.84%

For taxable years beginning on or after January 1, 2022, the minimum and maximum dollar amounts for the above income tax brackets must be adjusted for inflation by the percentage change in the Consumer Price Index for All Urban Consumers published by the federal Bureau of Labor Statistics from the 12 months ending on August 31, 2021, to the 12 months ending on August 31 of the year preceding the taxable year. The adjusted amounts must be rounded to the nearest \$10 amount. If the adjusted amount ends in a five, it will be rounded up to the nearest \$10 amount. The applicable tax rate of any bracket must not be changed as part of the adjustment. The Tax Commissioner must prescribe new rate schedules that apply in lieu of the schedules set forth above by LB 1180.

LB 1180 amends Neb. Rev. Stat. § 77-2716(13)(b) to provide the above inflation percentage adjustment will apply to the dollar amounts for the decreasing adjustment of federal Social Security Act benefits included in the federal adjusted gross income.

Major Objects of Expenditure

<u>Class Code</u>	<u>Classification Title</u>	<u>22-23 FTE</u>	<u>23-24 FTE</u>	<u>24-25 FTE</u>	<u>22-23 Expenditures</u>	<u>23-24 Expenditures</u>	<u>24-25 Expenditures</u>
	Benefits.....						
	Operating Costs.....				\$52,535		
	Travel.....						
	Capital Outlay.....						
	Capital Improvements.....						
	Total.....				\$52,535		

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

FY 2022-23	\$ (369,065,000)
FY 2023-24	\$ (276,668,000)
FY 2024-25	\$ (291,884,000)
FY 2025-26	\$ (307,938,000)

Fiscal Year 2022-23 shows a larger impact because taxpayers already paid their withholding for tax year 2022 and will claim it when the taxpayers file their 2022 tax return in early 2023. Taxpayers will begin to adjust their withholding or estimated payment, or both beginning January 1, 2023 to reflect the new individual income tax brackets. Hence the fiscal impact for FY22-23 effectively includes 17 months rather than 12 months.

LB 1180 would require a one-time programming charge of \$52,535 paid to the OCIO for mainframe costs for the bracket change for tax year 2022.