

**FISCAL NOTE**  
 LEGISLATIVE FISCAL ANALYST ESTIMATE

<b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES</b> (See narrative for political subdivision estimates)				
	<b>FY 2022-23</b>		<b>FY 2023-24</b>	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$105,660	(\$16,853,000)		(\$12,297,000)
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
<b>TOTAL FUNDS</b>	<b>\$105,660</b>	<b>(\$16,853,000)</b>		<b>(\$12,297,000)</b>

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

LB 1265 provides for a reduction to Federal Adjusted Gross Income (FAGI) for Nebraska law enforcement officers. Beginning in tax year 2022, LB 1265 would allow officers to reduce their FAGI based on the number of years they have been employed as a law enforcement officer.

The amount of FAGI reduced is split into 3 tiers and is a percentage of the compensation received for service as a law enforcement officer in the tax year the reduction is claimed, as follows:

- 1-10 years of employment: 50%
- 10-20 years of employment: 75%
- 20 or more years of employment: 100%

**REVENUE:**

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

FY22-23	(\$16,853,000)
FY23-24	(\$12,297,000)
FY24-25	(\$12,666,000)

The estimate includes a larger impact in FY22-23 due to the timing of claiming the tax year 2022 deduction: the impact effectively includes 17 months because taxpayers are unlikely to adjust their withholding during 2022, but rather claim the deduction when the return is filed in 2023. There is no basis to disagree with this estimate.

**EXPENDITURES:**

The Department of Revenue estimates a one-time charge for programming to OCIO of \$105,660. There is no basis to disagree with this estimate.

<b>ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY &amp; POLT. SUB. RESPONSE</b>		
LB: 1265	AM:	AGENCY/POLT. SUB: Department of Revenue
REVIEWED BY: Neil Sullivan	DATE: 2/11/2022	PHONE: (402) 471-4179
COMMENTS: No basis to disagree with the Department of Revenue assessment of fiscal impact from LB 1265.		

