

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2024-25		FY 2025-26	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS		(\$1,871,000)		\$189,833,000
CASH FUNDS	\$247,000,000	\$247,000,000	\$500,000,000	\$500,000,000
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$247,000,000	\$245,129,000	\$500,000,000	\$689,833,000

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

LB 1372 would change rates three and four for individual income tax brackets to the following:

- Rate three-
 - 5.01% for taxable years beginning on or after January 1, 2014 and before January 1, 2029
 - 4.55% for taxable years beginning on or after January 1, 2029 and before January 1, 2030
 - 3.99% for taxable years beginning on or after January 1, 2030
- Rate four-
 - 6.84% for taxable years beginning on or after January 1, 2025 and before January 1, 2026
 - 6.64% for taxable years beginning on or after January 1, 2026 and before January 1, 2027
 - 5.84% for taxable years beginning on or after January 1, 2027 and before January 1, 2028
 - 5.20% for taxable years beginning on or after January 1, 2028 and before January 1, 2029
 - 4.55% for taxable years beginning on or after January 1, 2029 and before January 1, 2030
 - 3.99% for taxable years beginning on or after January 1, 2030

LB 1372 would also change corporate income tax rates to the following:

- For taxable years beginning on or after January 1, 2027 and before January 1, 2028 at a rate equal to 5.58% on the first \$100,000 of taxable income and at the rate of 5.84% on all taxable income in excess of \$100,000
- For taxable years beginning on or after January 1, 2028 and before January 1, 2029, at the rate of 5.20% on all taxable income
- For taxable years beginning on or after January 1, 2029 and before January 1, 2030, at the rate of 4.55% on all taxable income
- For taxable years beginning on or after January 1, 2030, at the rate of 3.99% on all taxable income

The bill would change the minimum amount of tax relief under the Property Tax Credit Act to the following:

- Tax year 2024-\$645 million
- Tax year 2025-\$930 million
- Tax year 2026-\$1.195 billion
- Tax year 2027-\$1.460 billion
- Tax year 2028-\$1.725 billion
- Tax year 2029-\$2.005 billion plus a percentage increase equal to the percentage increase, if any, in the total assessed value of all real property in the state from the prior year to the current year, as determined by the Department of Revenue (DOR).
- For tax year 2030 and each tax year after, the minimum amount of relief granted under the Act would be the minimum amount from the prior tax year plus a percentage increase equal to the percentage increase, if any, in the total assessed value of all real property in the state from the prior year to the current year, as determined by the DOR.

The Department of Revenue (DOR) estimates the fiscal impact to revenues and expenditures as a result of this bill in the table below. The increases to the property tax credit we estimate to be funded by a General Fund transfer to the Property Tax Credit Cash Fund and then expended out of that Cash Fund. We estimate the increase to expenditures to be \$3 million less in FY25 compared to the estimates below by the DOR for the property tax credit due to \$398 million appropriated for that fiscal year.

Fiscal Year	Individual Income Tax	Corporation Income Tax	Property Tax Credit Act
FY2024-25	\$ 245,129,000	\$ -	\$ 250,000,000
FY2025-26	\$ 689,833,000	\$ -	\$ 500,000,000
FY2026-27	\$ 835,168,000	\$ 29,246,000	\$ 750,000,000
FY2027-28	\$ 747,050,000	\$ 105,921,000	\$ 1,000,000,000
FY2028-29	\$ 488,871,000	\$ 151,036,000	\$ 1,250,000,000
FY2029-30	\$ 180,201,000	\$ 109,627,000	\$ 1,513,140,000
FY2030-31	\$ -	\$ 43,602,000	\$ 1,570,639,000
FY2031-32	\$ -	\$ 8,335,000	\$ 1,630,323,000

The DOR estimates minimal costs to it as a result of this bill. There is no basis to disagree with this estimate.

State Agency Estimate

State Agency Name: Department of Revenue

Date Due LFO:

Approved by: James R. Kamm

Date Prepared: 02/21/2024

Phone: 471-5896

	FY 2024-2025		FY 2025-2026		FY 2026-2027	
	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>
General Funds	\$250,000,000	\$245,129,000	\$500,000,000	\$689,833,000	\$750,000,000	\$864,414,000
Cash Funds						
Federal Funds						
Other Funds						
Total Funds	\$250,000,000	\$245,129,000	\$500,000,000	\$689,833,000	\$750,000,000	\$864,414,000

LB 1372 set the individual income tax rates in Neb. Rev. Stat § 77-2715.03 such that the fourth and third bracket individual income tax rates are as follows:

- 6.84%, 5.01% for taxable years beginning on or after January 1, 2025, and before January 1, 2026;
- 6.64%, 5.01% for taxable years beginning on or after January 1, 2026, and before January 1, 2027;
- 5.84%, 5.01% for taxable years beginning on or after January 1, 2027, and before January 1, 2028;
- 5.20%, 5.01% for taxable years beginning on or after January 1, 2028, and before January 1, 2029;
- 4.55%, 4.55% for taxable years beginning on or after January 1, 2029, and before January 1, 2030;
- 3.99%, 3.99% for taxable years beginning on or after January 1, 2030.

LB 1372 sets the corporation income tax rates in Neb. Rev. Stat § 77-2734.02 as follows:

- 5.58% on the first \$100,000 taxable income and at a rate of 5.84% for all taxable income above \$100,000 for taxable years beginning on or after January 1, 2027, and before January 1, 2028;
- 5.20% on all taxable income for taxable years beginning on or after January 1, 2028, and before January 1, 2029;
- 4.55% on all taxable income for taxable years beginning on or after January 1, 2029, and before January 1, 2030;
- 3.99% on all taxable income for taxable years beginning on or after January 1, 2030.

LB 1372 also amends the minimum amount of tax relief under the Property Tax Credit Act (Act) as follows:

- \$645 million for tax year 2024;
- \$930 million for tax year 2025;
- \$1,195 million for tax year 2026;
- \$1,460 million for tax year 2027;
- \$1,725 million for tax year 2028; and
- For tax year 2029 the minimum amount under the Act is \$2,005 million plus a percentage increase equal to the percentage increase, if any, in the total assessed value of all real property in the state from the prior year to the current year as determined by the Department of Revenue (DOR).

Major Objects of Expenditure

<u>Class Code</u>	<u>Classification Title</u>	<u>24-25 FTE</u>	<u>25-26 FTE</u>	<u>26-27 FTE</u>	<u>24-25 Expenditures</u>	<u>25-26 Expenditures</u>	<u>26-27 Expenditures</u>
Benefits.....							
Operating Costs.....							
Travel.....							
Capital Outlay.....							
Capital Improvements.....							
Total.....							

For tax year 2030 and each tax year thereafter, the minimum amount of relief is the minimum amount from the prior tax year plus a percentage increase equal to the percentage increase, if any, in the total assessed value of all real property in the state from the prior year to the current year as determined by DOR.

It is estimated that LB 1372 will have the following impact to the General Fund revenues:

Fiscal Year	Individual Income Tax	Corporation Income Tax	Property Tax Credit Act
FY2024-25	\$ 245,129,000	\$ -	\$ 250,000,000
FY2025-26	\$ 689,833,000	\$ -	\$ 500,000,000
FY2026-27	\$ 835,168,000	\$ 29,246,000	\$ 750,000,000
FY2027-28	\$ 747,050,000	\$ 105,921,000	\$ 1,000,000,000
FY2028-29	\$ 488,871,000	\$ 151,036,000	\$ 1,250,000,000
FY2029-30	\$ 180,201,000	\$ 109,627,000	\$ 1,513,140,000
FY2030-31	\$ -	\$ 43,602,000	\$ 1,570,639,000
FY2031-32	\$ -	\$ 8,335,000	\$ 1,630,323,000

It is estimated that there will be minimal cost for DOR to implement LB 1372.