PREPARED BY: DATE PREPARED: PHONE:

Clinton Verner July 31, 2024 402-471-0056

I B 31

Revision: 01

FISCAL NO

LEGISLATIVE FISCAL ANALYST ESTIMATE

Revised to include agency comment

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

| | FY 202 | 4-25 | FY 20 | 25-26 |
|---------------|--------------|--------------|--------------|--------------|
| _ | EXPENDITURES | REVENUE | EXPENDITURES | REVENUE |
| GENERAL FUNDS | \$65,087 | | | |
| CASH FUNDS | | \$37,273,000 | | \$84,192,000 |
| FEDERAL FUNDS | | | | |
| OTHER FUNDS | | | | |
| TOTAL FUNDS | \$65,087 | \$37,273,000 | | \$84,192,000 |

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

LB31 creates an excise tax for dollars earned above certain amounts in relation to state income tax law, creates the Tax Equity Cash Fund and allows for transfers from the Tax Equity Cash Fund (TECF).

For single individuals, married filing separate, or estates and trusts, LB31 levies an excise tax of 9.5% on every dollar earned above \$1,000,000, less the applicable individual income tax rate in sec. 77-2715.03 for such individuals with an income over \$1,000,000.

For married filing jointly or head of household LB31 levies an excise tax of 9.5% on every dollar earned above \$2,000,000, less the applicable individual income tax rate in sec. 77-2715.03 for such individuals with an income over \$2,000,000.

The Department of Revenue is to collect the excise tax levied at least once per taxable year on a form and manner prescribed by the department for deposit into the TECF. The TECF may be used to defray administrative costs relating to the fund and may have its funds transferred to the General Fund, Education Future Fund, or Property Tax Credit Cash Fund.

LB31 does not describe the amounts to be transferred to the various funds, only that they may. It is our assumption that this will be handled during the biennial budget process.

The administrative impact relating to the implementation of this legislation as provided by the Department appears reasonable. No basis to disagree with the Department's estimates for revenues collected resulting from this legislation.

| State Agency Estimate | | | | | | | |
|-----------------------|-------------------------------------|-----------------------------------|--|--|---|--|--|
| Revenue | | | | Date Due LFO: | | | |
| | Date Prepared: | : 07/31/2024 Phone: 471-5896 | | | | | |
| FY 2024-2025 | | FY 2025-2026 | | FY 2026-2027 | | | |
| Expenditures | Revenue | Expenditures | Revenue | Expenditures | Revenue | | |
| \$65,087 | \$ 0 | | \$ 0 | | \$ 0 | | |
| | \$32,273,000 | | \$84,192,000 | | \$100,207,000 | | |
| | | | | | | | |
| | | | | | | | |
| \$65,087 | \$32,273,000 | | \$84,192,000 | | \$100,207,000 | | |
| | FY 2024 Expenditures \$65,087 | Date Prepared: Date Prepared: | Date Prepared: 07/31/2024 FY 2024-2025 FY 2025 Expenditures Revenue Expenditures S65,087 \$ 0 \$32,273,000 | Date Prepared: 07/31/2024 FY 2024-2025 FY 2025-2026 Expenditures Revenue Expenditures Revenue \$65,087 \$0 \$0 \$84,192,000 \$84,192,000 | Date Due LFO: Date Prepared: 07/31/2024 Phone: 471-5896 FY 2024-2025 FY 2025-2026 FY 2025 Expenditures Revenue Expenditures Revenue Expenditures \$65,087 \$0 \$0 \$32,273,000 \$84,192,000 | | |

For taxable years beginning on or after January 1, 2025, LB 31 imposes an excise tax on each dollar of individual income above \$1 million for individuals, married filing separate, or estates and trusts and above \$2 million for married filing jointly or head of household taxpayers. The rate of tax is 9.5%, less the applicable individual income tax rate in \$77-2715.03 for such individual income over \$1 million for individuals, married filing separate, or estates and trusts and \$2 million for married filing jointly or head of household taxpayers.

The Department of Revenue (DOR) must collect the excise tax at least once per year on a form and in the manner prescribed by DOR. The tax is remitted to the State Treasurer for credit to the Tax Equity Cash Fund.

The Tax Equity Cash Fund (Fund) is created and administered by DOR. The Fund consists of the excise tax collected under LB 31. DOR may use money in the Fund to pay for costs associated with any duty of DOR under LB 31 and administration of the Fund. Money in the Fund may be transferred as approved by the Legislature to the:

- General Fund:
- Education Future Fund; or
- Property Tax Credit Cash Fund.

It is estimated that LB 31 will have the following impact to the Tax Equity Cash Fund:

| FY24-25 | \$ 32,273,000 |
|---------|-------------------|
| FY25-26 | \$ 84,192,000 |
| FY26-27 | \$ 100,207,000 |
| FY27-28 | \$ 111,705,000 |

LB 31 requires a one-time programming charge of \$65,087 paid to OCIO to add a line to form 1040N and NebFile.

| Major Objects of Expenditure | | | | | | | |
|------------------------------|----------------------|---------------------|---------------------|---------------------|-----------------------|-----------------------|-----------------------|
| Class Code | Classification Title | 24-25 <u>FTE</u> | 25-26 <u>FTE</u> | 26-27 <u>FTE</u> | 24-25 Expenditures | 25-26 Expenditures | 26-27 Expenditures |
| | | | | | | | |
| | | | | | | | |
| Benefits | | | | | | | |
| Operating Costs | | | | | | | |
| | | | | | | | |
| Capital Improvements | | | | | \$65.087 | | |