PREPARED BY: DATE PREPARED: PHONE: John Wiemer March 13, 2023 402-471-0051

LB 36

Revision: 00

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)						
	FY 202	3-24	FY 2024-25			
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE		
GENERAL FUNDS		(\$40,290,000)		(\$55,858,000)		
CASH FUNDS						
FEDERAL FUNDS						
OTHER FUNDS						
TOTAL FUNDS		(\$40,290,000)		(\$55,858,000)		

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

LB 36 seeks to change the Nebraska individual income tax rate in the 3rd bracket. The new rates for the 3rd bracket would be the following:

- 5.01% for tax years beginning on or after January 1, 2014 and before January 1, 2023;
- 4.81% for tax years beginning on or after January 1, 2023 and before January 1, 2024;
- 4.61% for tax years beginning on or after January 1, 2024 and before January 1, 2025;
- 4.41% for tax years beginning on or after January 1, 2025 and before January 1, 2026;
- 4.17% for tax years beginning on or after January 1, 2026 and before January 1, 2027; and
- 4.01% for tax years beginning on or after January 1, 2027.

The Department of Revenue (DOR) estimates the following fiscal impact to General Fund revenues from this bill:

- FY 23-24: (\$40,290,000)
- FY 24-25: (\$55,858,000)
- FY 25-26: (\$84,352,000)
- FY 26-27: (\$114,223,000)
- FY 27-28: (\$132,241,000)
- FY 28-29: (\$139,071,000)

The DOR estimates minimal costs to it to implement the bill.

There is no basis to disagree with these estimates.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE						
LB: 36 AM: AGENCY/POLT. SUB: Department of Revenue						
REVIEWED BY	′: Neil Sullivan	DATE: 3/10/2023	PHONE: (402) 471-4179			
COMMENTS: No basis to disagree with the Department of Revenue assessment of fiscal impact from LB 36.						

LB 36 Fiscal Note 2023

State Agency Estimate							
State Agency Name: Departmen	t of Revenue				Date Due LFO:		
Approved by: Glen White		Date Prepared:		03/10/2023		Phone: 471-5896	
	FY 202	FY 2023-2024		FY 2024-2025		FY 2025-2026	
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue	
General Funds		\$ (40,290,000)		\$ (55,858,000)		\$ (84,352,000)	
Cash Funds							
Federal Funds							
Other Funds							
Total Funds		\$ (40,290,000)		\$ (55,858,000)		\$ (84,352,000)	

LB 36 changes the tax rate that applies to individuals and estates and trusts in the third bracket. For Bracket 3, the following tax rate apply:

- 5.01% for tax years beginning on or after January 1, 2014 and before January 1, 2023.
- 4.81% for tax years beginning on or after January 1, 2023 and before January 1, 2024.
- 4.61% for tax years beginning on or after January 1, 2024 and before January 1, 2025.
- 4.41% for tax years beginning on or after January 1, 2025 and before January 1, 2026.
- 4.17% for tax years beginning on or after January 1, 2026 and before January 1, 2027.
- 4.01% for tax years beginning on or after January 1, 2027.

The tax rates for the other individual income tax and estates and trusts brackets are unchanged.

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

FY 2023-24	\$ (40,290,000)
FY 2024-25	\$ (55,858,000)
FY 2025-26	\$ (84,352,000)
FY 2026-27	\$ (114,223,000)
FY 2027-28	\$ (132,241,000)
FY 2028-29	\$ (139,071,000)

It is estimated that there will be minimal costs to the Department of Revenue to implement this bill.

Major Objects of Expenditure							
Class Code	Classification Title	23-24 <u>FTE</u>	24-25 <u>FTE</u>	25-26 <u>FTE</u>	23-24 Expenditures	24-25 Expenditures	25-26 Expenditures
Benefits	Benefits.						
Operating Costs	Operating Costs						
Travel	Travel						
Capital Outlay							
Capital Improvements.							
Total							