Clinton Verner July 26, 2024 402-471-0056

LB7

Revision: 01

## FISCAL NOTE

Revised to include agency comment

**LEGISLATIVE FISCAL ANALYST ESTIMATE** 

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)					
	FY 202	24-25	FY 2025-26		
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE	
GENERAL FUNDS		\$196,366,000		\$493,521,000	
CASH FUNDS					
FEDERAL FUNDS					
OTHER FUNDS					
TOTAL FUNDS		\$196,366,000		\$493,521,000	

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

LB7 makes amendments to the Nebraska Income Tax and would implement the following income tax schedules:

	Incor						
Bracket #	Single Individuals	Married, Filing Jointly	Head of Household	Married, filing separate	Estates and trusts	Tax rate	TY24
1	\$0-2,999	\$0-5,999	\$0-5,599	\$0-2,999	\$0-499	2.46%	2.46%
2	\$3,000-17,999	\$6,000-35,999	\$5,600-28,799	\$3,000-17,999	\$500-4,699	3.51%	3.51%
3	\$18,000-28,999	\$36,000-57,999	\$28,800-42,999	\$18,000-28,999	\$4,700-15,149	Rate Three	5.01%
4 \$29,000 and over \$58,000 and over \$43,000 and over \$29,000 and over \$15,150 and over Rate Four							5.84%
Sets the minimum and maximum dollar amounts for each income bracket to be adjusted for inflation.							

	Income Tax Schedule beginning for Tax Year 2025								
Bracket #	Single Individuals	Married, Filing Jointly	Head of Household	Married, filing separate	Estates and trusts	Tax rate	TY25	TY26	TY27
	1 \$0-2,999	\$0-5,999	\$0-5,599	\$0-2,999	\$0-499	Rate 1	2.46%	2.46%	2.46%
	2 \$3,000-17,999	\$6,000-35,999	\$5,600-28,799	\$3,000-17,999	\$500-4,699	Rate 2	3.51%	3.51%	3.51%
	\$18,000-28,999	\$36,000-57,999	\$28,800-42,999	\$18,000-28,999	\$4,700-15,149	Rate 3	5.01%	4.55%	3.99%
	4 \$29,000-249,999	\$58,000-499,999	\$43,000-499,999	\$29,000-249,999	\$15,150-249,999	Rate 4	5.20%	4.55%	3.99%
5 \$250,000 and over \$500,000 and over \$500,000 and over \$250,000 and over \$250,000 and over Rate 5 9% 9%							9%		
Sets the	Sets the minimum and maximum dollar amounts for each income bracket to be adjusted for inflation.								

The Department of Revenue estimates the following General Fund impact:

FY2024-25: \$196,366,000 FY2025-26: \$493,521,000 FY2026-27: \$540,473,000

No basis to disagree with the estimates provided.

We estimate minimal costs for the Department of Revenue to administer LB7.

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State Agency Estimate						
State Agency Name: Department of Revenue					Date Due LFO:	
Approved by: James R. Kamm Date Prepa			07/29/2024 Phone: 471-5896			
	FY 202	<u>4-2025</u>	FY 202	<u>5-2026</u>	FY 202	6-2027
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue
General Funds		\$196,366,000		\$493,521,000		\$540,473,000
Cash Funds						
Federal Funds						
Other Funds						
Total Funds		\$196,366,000		\$493,521,000		\$540,473,000

LB 7 adds an additional tax rate for the top rate and bracket for individuals, and estates and trusts. LB 7 changes the brackets and rates as follows for taxable years beginning on or after January 1, 2025:

LB 7 - Individual Income Tax Brackets and Rates						
Bracket Number	Single Individuals	Married, Filing Jointly	Head of Household	Married, Filling Separate	Estates and Trusts	Tax Rate
1	\$0 - \$2,999	\$0 - \$5,999	\$0 - \$5,599	\$0 - \$2,999	\$0 - 499	2.46%
2	\$3,000 - \$17,999	\$6,000 - \$35,999	\$5,600 - \$28,799	\$3,000 - \$17,999	\$500 - \$4,699	3.51%
3	\$18,000 - \$28,999	\$36,000 - \$57,999	\$28,880 - \$42,999	\$18,000 - \$28,999	\$4,700 - \$15,149	Rate 3
4	\$29,000 - \$249,999	\$58,000 - \$499,999	\$43,000 - \$499,999	\$29,000 - \$249,999	\$15,150 - \$249,999	Rate 4
5	\$250,000 and over	\$500,000 and over	\$500,000 and over	\$250,000 and over	\$250,000 and over	Rate 5

## Rate 3 will be:

- 5.01% for taxable years beginning or deemed to begin on or after January 1, 2025, and before January 1, 2026;
- 4.55% for taxable years beginning or deemed to begin on or after January 1, 2026, and before January 1, 2027;
- 3.99% for taxable years beginning or deemed to begin on or after January 1, 2027.

## Rate 4 will be:

- 5.20% for taxable years beginning or deemed to begin on or after January 1, 2025, and before January 1, 2026;
- 4.55% for taxable years beginning or deemed to begin on or after January 1, 2026, and before January 1, 2027;

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
Operating Costs	BenefitsOperating Costs						
Travel							
Capital Improvements							

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• 3.99% for taxable years beginning or deemed to begin on or after January 1, 2027.

Rate 5 will be 9.00% for taxable beginning or deemed to begin on or after January 1, 2027.

Brackets will be adjusted for inflation using the Consumer Price Index for All Urban Consumers published by the federal Bureau of Labor Statistics from the twelve months ending on August 31, 2024, to the twelve months ending on August 31 of the year preceding the taxable year and rounded up to the nearest ten-dollar amount. The rate applicable to income tax brackets will not be changed.

Note that LB 7 has 2 amounts transposed for bracket 1 for married, filing jointly and head of household.

It is estimated that LB 7 will have the following impact to the General Fund revenues:

FY2024-25	\$ 196,366,000
FY2025-26	\$ 493,521,000
FY2026-27	\$ 540,473,000

It is estimated that there will be minimal cost for the Department of Revenue to implement LB 7.