

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

Revised to include agency comment

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2024-25		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:

Income Tax Schedule from January 1, 2014 to January 1, 2025							
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%
3	\$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 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.

- 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.