

7/10/11

PREPARED BY: Doug Gibbs
DATE PREPARED: February 25, 2011
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LB 620

Revision: 00

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *				
	FY 2011-12		FY 2012-13	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS				

*Does not include any impact on political subdivisions. See narrative for political subdivision estimates.

LB 620 amends a number of sections of statute dealing with the income tax to change the tax rate and eliminate tax credits.

Effective for tax years 2014 and after, the current rates and brackets are replaced by a single rate of 3.5 percent. The current primary rate is 3.70 percent and the individual rate brackets are 2.56 percent, 3.57 percent, 5.12 percent, and 6.84 percent.

No itemized deductions are allowed but a reduced standard deduction is allowed and is as follows:

- > Single and Married, filing separate: \$4,000
- > Married, filing jointly: \$8,000
- > Head of household: \$5,500

In addition, the extra standard deductions for age or blindness are eliminated.

The bill eliminates a number of credits, including the following:

- > Elderly credit
- > Child care credit
- > Beginning Farmer credit
- > Earned income credit
- > Personal exemption credit
- > Community Development Assistance credit
- > Biodiesel credit

The personal exemption credit is replaced with a personal exemption deduction of \$3,000. The Department of Revenue indicates that it is not clear how many are allowed on a return and assumes that one personal exemption credit is allowed per federal exemption.

The Department also notes that while the bill strikes the language allowing the credit for taxes paid to another state for individuals, estates and trusts, they assume no impact for this change in Section 77-2715.07(1)(b) and (4)(a), because Section 77-2730, which grants a credit for taxes paid to another state to all taxpayers is not amended or repealed.

The bill also changes the corporate income tax by replacing the current rates with a single rate beginning in tax year 2014. The rate is changed on a declining scale beginning January 1, 2014 with a rate of 4.5 percent, and is reduced by one-tenth of a percent each year until it reaches 3.5 percent in tax year 2024. The current corporate rates are 5.58 percent and 7.81 percent.

The Department of Revenue indicates the following fiscal impact: assuming withholding tables are adjusted on January 1, 2014, the estimate impact on the General Fund is:

	<u>Individual Income:</u>	<u>Corporate Income:</u>	<u>Total:</u>
FY2010-11:	\$ 0	\$ 0	\$ 0
FY2011-12:	\$ 0	\$ 0	\$ 0
FY2012-13:	\$ 0	\$ 0	\$ 0
FY2013-14:	(\$129,351,000)	(\$20,295,000)	(\$149,646,000)
FY2014-15:	(\$395,569,000)	(\$62,523,000)	(\$458,093,000)
FY2015-16:	(\$418,566,000)	(\$87,853,000)	(\$506,418,000)

The Department also estimates a one-time mainframe computer programming cost of \$83,300 for changes to the individual, corporate, and fiduciary income programs.

There is no basis to disagree with the Department of Revenue's estimate of fiscal impact and cost.

DEPARTMENT OF ADMINISTRATIVE SERVICES

REVIEWED BY	Lyn Heaton	DATE 3/1/11	PHONE 471-2526
COMMENTS			
DEPT. OF REVENUE – No basis upon which to disagree with the department's analysis.			

The corporate income tax rates are replaced with a single rate, beginning in tax year 2014. The initial rate is 4.5% for 2014, and is reduced by 0.1 percentage point each year until the rate reaches 3.5% in tax year 2024. Assuming withholding tables are adjusted on January 1, 2014, the estimated impact on General Fund revenue impact is presented below. Costs to implement LB 620 are one-time mainframe computer programming costs of \$83,300, for changes to the individual, corporate, and fiduciary income programs.

LB 620 General Fund Revenue Impact (Millions)			
Fiscal Year	Individual Income	Corporate Income	Total
FY2010-11	0.000	0.000	0.000
FY2011-12	0.000	0.000	0.000
FY2012-13	0.000	0.000	0.000
FY2013-14	(\$129.351)	(\$20.295)	(\$149.646)
FY2014-15	(\$395.569)	(\$62.523)	(\$458.093)
FY2015-16	(\$418.566)	(\$87.853)	(\$506.418)