

**FISCAL NOTE**  
**LEGISLATIVE FISCAL ANALYST ESTIMATE**

<b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES</b> (See narrative for political subdivision estimates)				
	<b>FY 2013-14</b>		<b>FY 2014-15</b>	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$30,248	(\$32,009,000)		(\$107,421,000)
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
<b>TOTAL FUNDS</b>	<b>\$30,248</b>	<b>(\$32,009,000)</b>		<b>(\$107,421,000)</b>

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

LB 227 amends the Nebraska Revenue Act of 1967, Section 77-2716 to make adjustments to income subject to Nebraska state income tax.

For tax year 2014, the bill would reduce federal adjusted gross income (AGI) by thirty-three and one third percent for all amounts received as retirement benefits to the extent those amounts were included in AGI.

For tax year 2015, the bill would reduce AGI by sixty-six and two-thirds percent for all amounts received as retirement benefits to the extent those benefits were included in AGI.

For tax year 2016 and tax years thereafter, the bill would reduce AGI by one-hundred percent for all amounts received as retirement benefits to the extent those benefits were included in AGI.

Retirement benefits is defined to mean the total amount of government or other pension or retirement pay, including Social Security benefits, defined benefit or defined contribution plans, annuities, Individual Retirement Accounts, employer-maintained plans, self-employed person plans, deferred compensation plans, or any earnings attributable to deferred compensation plans.

The Department of Revenue estimates the following fiscal impact as a result of LB 227:

FY2013-14:	(\$ 32,009,000)
FY2014-15:	(\$107,421,000)
FY2015-16:	(\$176,648,000)
FY2016-17:	(\$218,140,000)

The Department of Revenue estimates a one-time programming cost of \$30,248 paid to the Office of the CIO to add a line to the Nebraska Schedule I, and a new schedule to the Form 1040N, as well as to the NebFile online system.

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

<b>ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY &amp; POLT. SUB. RESPONSES</b>			
LB: 227	AM:	AGENCY/POLT. SUB: Dept. of Revenue	
REVIEWED BY: Lyn Heaton		DATE: 1/29/2013	PHONE: 402.471.4181
COMMENTS: No basis upon which to disagree with the Dept. of Revenue's analysis. The estimated operational cost to implement the bill appears reasonable.			

**State Agency Estimate**

State Agency Name: Department of Revenue

Date Due LFA: 01/23/2013

Approved by: Douglas Ewald

Date Prepared: 01/22/2013

Phone: 471-5896

	<b>FY 2013-2014</b>		<b>FY 2014-2015</b>		<b>FY 2015-2016</b>	
	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>
General Funds	\$30,248	(\$32,009,000)	\$0	(\$107,421,000)	\$0	(\$176,648,000)
Cash Funds						
Federal Funds						
Other Funds						
<b>Total Funds</b>	<b>\$30,248</b>	<b>(\$32,009,000)</b>	<b>\$0</b>	<b>(\$107,421,000)</b>	<b>\$0</b>	<b>(\$176,648,000)</b>

LB 227 would amend Neb. Rev. Stat. § 77-2716 to subtract from federal adjusted gross income (AGI), 33 1/3% of all retirement benefits to the extent the benefits are included in federal AGI, for taxable years beginning on or after January 1, 2014 and before January 1 2015. For tax year 2015, the percentage excluded would be 66 2/3% and for tax year 2016 and thereafter, all retirement income would be excluded for purposes of the Nebraska income tax.

Retirement income is defined broadly to include government or private pensions, Social Security, individual retirement accounts, annuities, and deferred compensation plans.

The estimated reduction to the General Fund would be as follows:

FY 2013-2014	\$	32,009,000
FY 2014-2015	\$	107,421,000
FY 2015-2016	\$	176,648,000
FY 2016-2017	\$	218,140,000

LB 227 will require a one-time programming charge of \$30,248 paid to the OCIO to add a line to the Nebraska Schedule I, and a new schedule to the Form 1040N, as well as to the NebFile online filing system.

**Major Objects of Expenditure**

<u>Class Code</u>	<u>Classification Title</u>	<u>13-14</u>	<u>14-15</u>	<u>15-16</u>	<u>13-14</u>	<u>14-15</u>	<u>15-16</u>
		<u>FTE</u>	<u>FTE</u>	<u>FTE</u>	<u>Expenditures</u>	<u>Expenditures</u>	<u>Expenditures</u>
Benefits.....							
Operating Costs.....					\$30,248	\$0	\$0
Travel.....							
Capital Outlay.....							
Aid.....							
Capital Improvements.....							
<b>Total.....</b>					<b>\$30,248</b>	<b>\$0</b>	<b>\$0</b>