Doug Gibbs January 25, 2013 402-471-0051

LB 238

Revision: 00 FISCAL NOTE LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)								
	FY 201	3-14	FY 2014-15					
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE				
GENERAL FUNDS	\$30,248	(\$8,353,000)		(\$6,163,000)				
CASH FUNDS								
FEDERAL FUNDS								
OTHER FUNDS								
TOTAL FUNDS	\$30,248	(\$8,353,000)		(\$6,163,000)				

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

LB 238 amends the Nebraska Revenue Act of 1967, Section 77-2716 to add exclusions to the state income tax.

Beginning in January 1, 2013 and each tax year thereafter, the bill would exclude some or all retirement income from federally adjusted gross income (AGI) for state income tax purposes.

Retirement income received from Social Security benefits, a qualified retirement plan under section 401(a) or 403(a) of the IRS code of 1986, the Class V School Employees plan, the County Employees plan, the Judges plan, the State Patrol plan, the School Employees plan, the State Employees plan, the U.S, civil service retirement system, and U.S. military retirement system would be covered by the exclusion provided in LB 238.

The amount excluded would equal one dollar for every dollar of nonretirement income, not to exceed \$60,000 for someone filing a married, filing jointly return and not to exceed \$30,000 for every other type of return. The exclusion is reduced dollar for dollar by the amount federal AGI exceeds \$120,000 for a married, filing jointly return and \$60,000 for all other returns.

Nonretirement income is defined as income other than retirement income, earned in Nebraska that is included in the taxpayer's federal AGI. Nonretirement income excludes investment income.

The Department of Revenue estimates the following impact to the General Fund as a result of LB 238:

FY2013-14:	(\$8,353,000)
FY2014-15:	(\$6,163,000)
FY2015-16:	(\$6,513,000)

The cost for FY2013-14 is more than the two subsequent fiscal years due to the fact that with an exemption starting with tax years beginning on or after January 1, 2013, estimated payments and withholding will have been made in 2013 that will then be refunded in 2014.

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

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

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES							
LB: 238 AM: AGENCY/POLT. SUB: Dept. of Revenue							
REVIEWED BY: Lyn Heaton			DATE: 1/29/2013 PHONE: <u>402.471.4181</u>				
COMMENTS: No basis upon which to disagree with the Dept. of Revenue's analysis.							

LB 238 Revised

Fiscal Note 2013

State Agency Estimate								
State Agency Name: Department of Revenue Date Due LFA:								
Approved by: Douglas Ewald		Date Prepared:	01/24/2013		Phone: 471-5896			
	<u>FY 2013-2014</u>		FY 2014-2015		FY 2015-2016			
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue		
General Funds	\$30,248	(\$8,353,000)	\$0	(\$6,163,000)	\$0	(\$6,513,000)		
Cash Funds								
Federal Funds								
Other Funds								
Total Funds	\$30,248	(\$8,353,000)	\$0	(\$6,163,000)	\$0	(\$6,513,000)		

State A man an Estimate

LB 238 would amend Neb. Rev Stat. § 77-2716 to exclude some or all retirement income from federal adjusted gross income (AGI) for Nebraska income tax purposes. The exclusion would be available for all tax years beginning on or after January 1, 2013.

The amount excluded is one dollar for every dollar of nonretirement income, not to exceed \$60,000 for a married, filing jointly return and \$30,000 for all other returns. This maximum exclusion is reduced one dollar for each dollar federal AGI exceeds \$120,000 for a married, filing jointly return and \$60,000 for all other returns.

Retirement income is defined to include Social Security payments, amounts received under a qualified pension or retirement plan under IRC §§ 401(a) or 403(a), amounts received under a Nebraska public pension system, amounts received for U.S. civil service retirement, and amounts received for U.S. military employee retirement. Nonretirement income is defined as all other income that is earned in Nebraska, except investment income.

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

FY 2013-2014	\$ 8,353,000
FY 2014-2015	\$ 6,163,000
FY 2015-2016	\$ 6,513,000

The cost for FY 2013-2014 is greater than the cost for FY2014-2015 due to the fact that with an exemption starting with tax years beginning on or after January 1, 2013, estimated payments and withholding will have been made in 2013 that will be refunded in 2014.

LB 238 will require a one-time programing 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>	Classification Title	13-14 <u>FTE</u>	14-15 <u>FTE</u>	15-16 <u>FTE</u>	13-14 <u>Expenditures</u>	14-15 <u>Expenditures</u>	15-16 <u>Expenditures</u>	
Benefits								
Operating Costs		\$30,248	\$0	\$0				
Travel								
Capital Outlay								
Aid								
Capital Improvement								
Total								