

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

<b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES</b> (See narrative for political subdivision estimates)				
	<b>FY 2014-15</b>		<b>FY 2015-16</b>	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$11,225	(\$1,602,000)		(\$5,547,000)
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
<b>TOTAL FUNDS</b>	<b>\$11,225</b>	<b>(\$1,602,000)</b>		<b>(\$5,547,000)</b>

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

LB 709 amends the Nebraska Revenue Act of 1967, Section 77-2716 to make adjustments to income subject to Nebraska state income tax.

The bill would, for purposes of determining Nebraska income tax liability, for the tax year beginning January 1, 2015 and before January 1, 2016, exclude 20% of income received from military retirement to the extent it is included in federal AGI.

For the tax year beginning January 1, 2016 and before January 1, 2017, 40% of income received from military retirement to the extent it is included in federal AGI would be excluded.

For the tax year beginning January 1, 2017 and before January 1, 2018, 60% of income received from military retirement to the extent it is included in federal AGI would be excluded.

For the tax year beginning January 1, 2018 and before January 1, 2019, 80% of income received from military retirement to the extent it is included in federal AGI would be excluded.

For the tax year beginning January 1, 2019 and thereafter, 100% of income received from military retirement to the extent it is included in federal AGI would be excluded.

The reduction to AGI is not allowed if federal AGI exceeds \$250,000 for a married, filing jointly tax return. For all other returns the reduction to AGI is not allowed if federal AGI exceeds \$125,000.

Military retirement benefit is defined to mean periodic payments attributable to service in the uniformed services of the United States for personal services performed by the individual.

The Department of Revenue estimates the following fiscal impact to the General Fund as a result of LB 709:

FY2014-15:	(\$ 1,602,000)
FY2015-16:	(\$ 5,547,000)
FY2016-17:	(\$ 9,705,000)
FY2017-18:	(\$ 14,048,000)
FY2018-19:	(\$ 18,577,000)
FY2019-20:	(\$ 21,766,000)

The Department also estimates a cost of \$11,225 for a one-time programming charge paid to the office of the CIO to add a line to the Form 1040N, Nebraska Schedule I, and the NebFile online system.

We have no basis to disagree with the Department of Revenue's estimate of fiscal impact or cost.

