# FISCAL NOTE
## LEGISLATIVE FISCAL ANALYST ESTIMATE

### ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)

|  | FY 2015-16 | | FY 2016-17 | |
|---|---|---|---|---|
|  | EXPENDITURES | REVENUE | EXPENDITURES | REVENUE |
| GENERAL FUNDS | $0 | ($6,101,000) | $0 | ($15,024,000) |
| CASH FUNDS |  |  |  |  |
| FEDERAL FUNDS |  |  |  |  |
| OTHER FUNDS |  |  |  |  |
| TOTAL FUNDS | $0 | ($6,101,000) | $0 | ($15,024,000) |

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

LB 454 amends the Nebraska Revenue Act of 1967, Section 77-2716, regarding modifications and exclusions to federal adjusted gross income (AGI) for Nebraska state income tax purposes.

The bill provides for a modification to AGI to exclude military retirement benefits to the extent they are included in AGI. The exclusion is limited to $48,000 or less for taxpayers filing a married filing jointly return, if both spouses are receiving military retirement benefits, and $24,000 or less for all other returns.

Military retirement benefits are defined as periodic payments attributable to service in the uniformed services of the U.S. for personal services performed by the individual prior to their retirement.

The bill becomes operative for tax years beginning January 1, 2016 and thereafter.

The Department of Revenue estimates the following fiscal impact to the General Fund as a result of LB 454:

| | |
|---|---|
| FY2015-16: | ($ 6,101,000) |
| FY2016-17: | ($ 15,024,000) |
| FY2017-18: | ($ 15,929,000) |
| FY2018-19: | ($ 16,826,000) |

The Department indicates that the cost to implement LB 454 will be minimal.

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

| ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES | | | |
|---|---|---|---|
| LB: 454 | AM: | AGENCY/POLT. SUB: Dept. of Revenue | |
| REVIEWED BY: Lyn Heaton | | DATE: 2/2/2015 | PHONE: 471-4181 |
| COMMENTS: No basis upon which to disagree with the Department's analysis. | | | |

**State Agency Estimate**

State Agency Name: Department of Revenue                                     Date Due LFA:    2/2/2015

Approved by: Len Sloup                Date Prepared:    2/2/2015               Phone: 471-5896

|  | FY 2015-2016 | | FY 2016-2017 | | FY 2017-2018 | |
| --- | --- | --- | --- | --- | --- | --- |
|  | Expenditures | Revenue | Expenditures | Revenue | Expenditures | Revenue |
| General Funds |  | ($6,101,000) |  | ($15,024,000) |  | ($15,929,000) |
| Cash Funds |  |  |  |  |  |  |
| Federal Funds |  |  |  |  |  |  |
| Other Funds |  |  |  |  |  |  |
| Total Funds |  | ($6,101,000) |  | ($15,024,000) |  | ($15,929,000) |

LB 454 provides a reduction to federal adjusted gross income for the amount of military retirement benefits included in federal adjusted gross income up to $48,000 for married, filing jointly returns, and $24,000 for all other returns. The reduction is available for tax years beginning on or after January 1, 2016.

Military retirement benefits are defined as retirement benefits that are periodic payments attributable to service in the uniformed services of the United States for personal services performed by an individual prior to his or her retirement.

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

FY 2015-2016     $ 6,101,000
FY 2016-2017     $15,024,000
FY 2017-2018     $15,929,000
FY 2018-2019     $16,826,000

It is estimated that there will be minimal costs to the Department to implement this bill.

**Major Objects of Expenditure**

| Class Code | Classification Title | 15-16 FTE | 16-17 FTE | 17-18 FTE | 15-16 Expenditures | 16-17 Expenditures | 17-18 Expenditures |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |

Benefits……………………………………………………………………………
Operating Costs……………………………………………………………………
Travel………………………………………………………………………………
Capital Outlay……………………………………………………………………...
Aid…………………………………………………………………………………
Capital Improvements……………………………………………………………...
**Total………………………………………………………………………………**