Doug Gibbs February 02, 2015 402-471-0051

## LB 614

## Revision: 00 FISCAL NOTE LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)							
	FY 201	5-16	FY 20	16-17			
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE			
GENERAL FUNDS	\$0	(\$13,855,000)	\$0	(\$15,609,000)			
CASH FUNDS							
FEDERAL FUNDS							
OTHER FUNDS							
TOTAL FUNDS	\$0	(\$13,855,000)	\$0	(\$15,609,000)			

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

LB 614 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 that beginning taxable year January 1, 2015, AGI shall exclude a portion of income received as military retirement benefits for each person included in the tax return who receives such benefits to the extent it is included in federal AGI, as follows:

- > For tax year 2015, income to be excluded shall not exceed \$11,000 (\$22,000 married filing jointly)
- > For tax year 2016, income to be excluded shall not exceed \$22,000 (\$44,000 married filing jointly)
- > For tax year 2017, income to be excluded shall not exceed \$33,000 (\$66,000 married filing jointly)

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 date.

The bill strikes current language that provides for a partial exclusion of military retirement benefits based on a one time election by the taxpayer.

The Department of Revenue estimates the following fiscal impact to the General Fund as a result of LB 614:

FY2015-16:	(\$ 13,855,000)
FY2016-17:	(\$ 15,609,000)
FY2017-18:	(\$ 18,291,000)
FY2018-19:	(\$ 19,326,000)

The Department of Revenue indicates the cost to implement LB 614 will be minimal.

We agree with the Department of Revenue's estimate of fiscal impact and cost.

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES					
LB: 614	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.					

## Fiscal Note 2015

State Agency Estimate							
State Agency Name: Department of H	Revenue				Date Due LFA:	2/2/2015	
Approved by: Len Sloup	Date Prepared:		2/2/2015	Phone: 471-5896			
	FY 201	5-2016	FY 2016-2017		FY 2017-2018		
	Expenditures	Revenue	<b>Expenditures</b>	Revenue	Expenditures	Revenue	
General Funds		(\$13,855,000)		(\$15,609,000)		(\$18,291,000)	
Cash Funds							
Federal Funds							
Other Funds							
Total Funds		(\$13,855,000)		(\$15,609,000)		(\$18,291,000)	

LB 614 provides a reduction to federal adjusted gross income for the amount of military retirement benefits included in federal adjusted gross income up to \$22,000 for married, filing jointly returns, and \$11,000 for other returns for tax year 2015; \$44,000 for married, filing jointly returns, and \$22,000 for other returns for tax year 2016; and \$66,000 for married, filing jointly returns, and \$33,000 for other returns for tax years 2017 and thereafter.

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	\$ 13,855,000
FY 2016-2017	\$ 15,609,000
FY 2017-2018	\$ 18,291,000
FY 2018-2019	\$ 19,326,000

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

Major Objects of Expenditure							
		15-16	16-17	17-18	15-16	16-17	17-18
Class Code	Classification Title	<u>FTE</u>	<u>FTE</u>	<u>FTE</u>	<b>Expenditures</b>	<b>Expenditures</b>	<b>Expenditures</b>
Benefits							
Operating Costs							
Travel							
Capital Outlay							
Aid							
Capital Improvements							
Total							