

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

<b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES</b> (See narrative for political subdivision estimates)				
	<b>FY 2016-17</b>		<b>FY 2017-18</b>	
	<b>EXPENDITURES</b>	<b>REVENUE</b>	<b>EXPENDITURES</b>	<b>REVENUE</b>
GENERAL FUNDS	\$55,601	See Below		See Below
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
<b>TOTAL FUNDS</b>	\$55,601	See Below		See Below

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

LB 763 creates the Nebraska is Honoring Our Military Exemption Act.

The Act would provide that after January 1, 2017 a member of the U.S. military on active duty status, whose home of record is Nebraska but whose legal residence is a state other than Nebraska, to reacquire legal residence in Nebraska by doing one or more of the following:

- a) Registering to vote in Nebraska;
- b) Purchasing residential property or a unimproved residential lot in Nebraska;
- c) Titling and registering a motor vehicle in Nebraska;
- d) Notifying the state of the individual's current legal residence of the intent to make Nebraska the state of legal residence;
- e) Preparing a new last will and testament that indicates Nebraska as the individual's state of legal residence.

In addition, the Act provides that the eligible individual doing the above need not have a physical presence in Nebraska but only that they intend to make Nebraska their state of legal residence by doing one or more of the above.

By reacquiring legal residence the Act would allow such individuals to exclude compensation received for active duty service in the U.S. armed forces for taxable years beginning on or after January 1, 2017.

LB 763 also provides that the employer of an individual whose compensation is excluded from federal adjusted gross income (AGI) under the Act is not required to deduct and withhold any amount from the employee's excluded wages for Nebraska state income tax purposes.

Finally, LB 763 provides that an individual whose only income for the taxable year is compensation that is excluded from federal AGI pursuant to the Act is not required to file a state income tax return in Nebraska for the taxable year.

The Nebraska Department of Revenue estimates that LB 763 would have minimal fiscal impact. They also assume that compensation received for active duty services does not include military retirement income.

The Department estimates that the cost to implement LB 763 will incur a one-time programming charge of \$55,601 paid to the Office of the CIO for mainframe programming changes as well as web programming costs for the NebFile online filing system.

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

