PREPARED BY: DATE PREPARED: PHONE: Doug Gibbs January 17, 2016 402-471-0051

LB 763

Revision: 00

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT — STATE AGENCIES (See narrative for political subdivision estimates)								
	FY 201	6-17	FY 2017-18					
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE				
GENERAL FUNDS	\$55,601	See Below		See Below				
CASH FUNDS								
FEDERAL FUNDS								
OTHER FUNDS								
TOTAL FUNDS	\$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 in 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.

LB 763 Fiscal Note 2016

	State Agency	Estimate			
State Agency Name: Department of Revenue				Date Due LFA:	1/15/2016
	Date Prepared:	1/15/2016		Phone: 471-5896	
FY 2016-2017		FY 2017-2018		FY 2018-2019	
Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue
\$ 55,601	See below		See below		See below
\$ 55,601	See below		See below		See below
	FY 2016- Expenditures \$ 55,601	Date Prepared:	Date Prepared: 1/15/2016	Date Prepared: 1/15/2016 FY 2016-2017 FY 2017-2018 Expenditures Revenue See below See be	Revenue Date Due LFA: Date Prepared: 1/15/2016 Phone: 471-5896 FY 2016-2017 FY 2017-2018 FY 20 Expenditures Revenue Expenditures \$ 55,601 See below See below

LB 763 creates the Nebraska is Honoring Our Military Exemption Act. The Act allows an individual in active military duty service, whose home of record is Nebraska and whose state of legal residence on or after January 1, 2017 is a different state, to reacquire legal residence in Nebraska. The Act allows such individuals to exclude compensation received for active duty service in the armed forces from federal adjusted gross income for taxable years beginning on or after January 1, 2017. The Act also provides that the employer of an individual whose compensation is excluded from federal AGI under the Act is not required to deduct and withhold any amount from the employee's excluded wages for Nebraska income tax purposes. Additionally, the Act 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 for the taxable year.

It is estimated that LB 763 would have minimal impact to the General Fund revenues. It's assumed that compensation received for active duty services does not include military retirement income.

LB 763 would require a one-time programming charge of \$55,601 paid to the OCIO for mainframe programming changes as well as web programming costs for the NebFile online filing system.

Major Objects of Expenditure								
Class Code	Classification Title	16-17 <u>FTE</u>	17-18 <u>FTE</u>	18-19 <u>FTE</u>	16-17 Expenditures	17-18 Expenditures	18-19 Expenditures	
Benefits								
Operating Costs Travel					\$ 55,601			
Capital Outlay								
Capital Improvements					\$ 55,601			