

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2016-17		FY 2017-18	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$55,601	(\$39,767,000)	\$0	(\$29,655,000)
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$55,601	(\$39,767,000)	\$0	(\$29,655,000)

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

LB 749 amends the Nebraska Revenue Act of 1967 Section 77-2716 to provide a reduction in the taxability of Social Security benefits for state income tax purposes.

Beginning in tax year 2016 and thereafter, federal adjusted gross income (AGI) is to be reduced by the following:

For a Married Filing Joint Return:

Income Level (AGI):	Percentage of Social Security Benefits Excluded from AGI:
Less than \$75,000	100
\$75,000 to \$80,000	80
\$80,000 to \$85,000	60
\$85,000 to \$90,000	40
\$90,000 to \$95,000	20

For All Other Returns:

Income Level (AGI):	Percentage of Social Security Benefits Excluded from AGI:
Less than \$60,000	100
\$60,000 to \$65,000	80
\$65,000 to \$70,000	60
\$70,000 to \$75,000	40
\$75,000 to \$80,000	20

The Department of Revenue estimated the following fiscal impact to the General Fund as a result of LB 749:

FY2016-17:	(\$ 39,767,000)
FY2017-18:	(\$ 29,655,000)
FY2018-19:	(\$ 31,089,000)

The cost for FY2016-17 is higher than the cost for the subsequent fiscal years because estimated payments and withholding will have been made in 2016 that will be refunded in 2017.

The Department estimates 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.

There is 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: 749	AM:	AGENCY/POLT. SUB: Dept. of Revenue
REVIEWED BY: Lyn Heaton	DATE: 1/19/2016	PHONE: 471-4181
COMMENTS: No basis upon which to disagree with the Department of Revenue's analysis.		

State Agency Estimate

State Agency Name: Department of Revenue		Date Due LFA: 1/15/2016				
Approved by: Tony Fulton		Date Prepared: 1/14/2016				
		Phone: 471-5896				
	FY 2016-2017		FY 2017-2018		FY 2018-2019	
	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>
General Funds	\$55,601	(\$39,767,000)	\$0	(\$29,655,000)	\$0	(\$31,089,000)
Cash Funds						
Federal Funds						
Other Funds						
Total Funds	\$55,601	(\$39,767,000)	\$0	(\$29,655,000)	\$0	(\$31,089,000)

LB 749 would amend Neb. Rev. Stat. § 77-2716, Nebraska adjustments to federal adjusted gross income, to increase the subtraction for Social Security benefits for taxable years beginning on or after January 1, 2016.

For taxpayers filing a married, filing jointly return, LB 749 allows for social security benefits to be excluded from federal adjusted gross income (AGI) as follows:

- a) 100% if federal AGI is less than \$75,000
- b) 80% if federal AGI is greater than or equal to \$75,000 and less than \$80,000
- c) 60% if federal AGI is greater than or equal to \$80,000 and less than \$85,000
- d) 40% if federal AGI is greater than or equal to \$85,000 and less than \$90,000
- e) 20% if federal AGI is greater than or equal to \$90,000 and less than \$95,000
- f) 0% if federal AGI is greater than or equal to \$95,000

For any other type of return, LB 749 allows for social security benefits to be excluded from AGI as follows:

- a) 100% if federal AGI is less than \$60,000
- b) 80% if federal AGI is greater than or equal to \$60,000 and less than \$65,000
- c) 60% if federal AGI is greater than or equal to \$65,000 and less than \$70,000
- d) 40% if federal AGI is greater than or equal to \$70,000 and less than \$75,000
- e) 20% if federal AGI is greater than or equal to \$75,000 and less than \$80,000
- f) 0% if federal AGI is greater than or equal to \$80,000

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

FY16-17	\$ 39,767,000
FY17-18	\$ 29,655,000
FY18-19	\$ 31,089,000

The cost for FY16-17 is greater than the cost for FY17-18 because estimated payments and withholding will have been made in 2016 that will be refunded in 2017.

LB 749 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	17-18	18-19	16-17	17-18	18-19
		FTE	FTE	FTE	Expenditures	Expenditures	Expenditures
	Benefits.....						
	Operating Costs.....				\$55,601	\$0	\$0
	Travel.....						
	Capital Outlay.....						
	Aid.....						
	Capital Improvements.....						
	Total				\$55,601	\$0	\$0