

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

<b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)</b>				
	<b>FY 2017-18</b>		<b>FY 2018-19</b>	
	<b>EXPENDITURES</b>	<b>REVENUE</b>	<b>EXPENDITURES</b>	<b>REVENUE</b>
GENERAL FUNDS	\$55,518	\$82,000	\$0	(\$3,267,000)
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
<b>TOTAL FUNDS</b>	<b>\$55,518</b>	<b>\$82,000</b>	<b>\$0</b>	<b>(\$3,267,000)</b>

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

LB 453 amends the Nebraska Revenue Act of 1967 Nebraska Revised Statutes Section 77-2716 regarding a reduction of federal adjusted gross income (AGI) for Nebraska income tax purposes.

The Department of Revenue estimates the following fiscal impact to the General Fund as a result of the provisions of LB 453:

FY2017-18:	\$ 82,000
FY2018-19:	(\$ 3,267,000)
FY2019-20:	(\$ 11,748,000)
FY2020-21:	(\$ 20,559,000)
FY2021-22:	(\$ 29,602,000)
FY2022-23:	(\$ 35,752,000)

Section 77-2716 is amended to provide, beginning in tax year 2018, that a percentage of Social Security benefits shall be subtracted from AGI, to the extent they are included in the taxpayer's AGI. The bill provides for a phase-in of the subtraction based on filing status, income, and tax year as follows:

**Filing Status: Married Filing Jointly**

Income Level:	Tax Year – Subtraction:	Tax Year – Subtraction:	Tax Year – Subtraction:	Tax Year – Subtraction:	Tax Year – Subtraction:
\$75,000 & Less:	2018 – 20%	2019 – 40%	2020 – 60%	2021 – 80%	2022** - 100%
\$75-\$80,000:	2018 – 16%	2019 – 32%	2020 – 48%	2021 – 64%	2022** - 80%
\$80-\$85,000:	2018 – 12%	2019 – 24%	2020 – 36%	2021 – 48%	2022** - 60%
\$85-\$90,000:	2018 – 8%	2019 – 16%	2020 – 24%	2021 – 32%	2022** - 40%
\$90-\$95,000:	2018 – 4%	2019 – 8%	2020 – 12%	2021 – 16%	2022** - 20%
\$95,000 & Over	2018 – 0%	2019 – 0%	2020 – 0%	2021 – 0%	2022** - 0%

\*\*Applies to tax years 2022 and thereafter

**Filing Status: Single, Head of Household, Married Filing Separately:**

Income Level:	Tax Year – Subtraction:	Tax Year – Subtraction:	Tax Year – Subtraction:	Tax Year – Subtraction:	Tax Year – Subtraction:
\$60,000 & Less:	2018 – 20%	2019 – 40%	2020 – 60%	2021 – 80%	2022** - 100%
\$60-\$65,000:	2018 – 16%	2019 – 32%	2020 – 48%	2021 – 64%	2022** - 80%
\$65-\$70,000:	2018 – 12%	2019 – 24%	2020 – 36%	2021 – 48%	2022** - 60%
\$70-\$75,000:	2018 – 8%	2019 – 16%	2020 – 24%	2021 – 32%	2022** - 40%
\$75-\$80,000:	2018 – 4%	2019 – 8%	2020 – 12%	2021 – 16%	2022** - 20%
\$80,000 & Over:	2018 – 0%	2019 – 0%	2020 – 0%	2021 – 0%	2022** - 0%

\*\*Applies to tax years 2022 and thereafter

The bill also requires, beginning in tax year 2019 and thereafter, that the dollar amounts contained in the amended language (and noted above) shall be increased by an amount equal to such dollar amount, multiplied by the percentage, if any, by which the Consumer Price Index (CPI) for the preceding calendar year exceeds the CPI for calendar year 2017.

The CPI means the CPI for All Urban Consumers published by the federal Bureau of Labor Statistics.

The Department of Revenue indicates they will require an expenditure of \$55,518 paid to the Office of the CIO for a one-time programming charge for mainframe and web development charges.

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. RESPONSE			
LB: 453	AM:	AGENCY/POLT. SUB: Department of Revenue	
REVIEWED BY: Lyn Heaton	DATE: 2/7/2017	PHONE: <a href="tel:4024714181">(402) 471-4181</a>	
COMMENTS: No basis upon which to disagree with the Dept. of Revenue's analysis.			

**State Agency Estimate**

State Agency Name: Department of Revenue		Date Due LFA: 2/8/2017				
Approved by: Tony Fulton		Date Prepared: 2/7/2017				
		Phone: 471-5896				
	<b>FY 2017-2018</b>		<b>FY 2018-2019</b>		<b>FY 2019-2020</b>	
	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>
General Funds	\$ 55,518	\$ 82,000	\$ 0	\$ (3,267,000)	\$ 0	\$ (11,748,000)
Cash Funds						
Federal Funds						
Other Funds						
<b>Total Funds</b>	<b>\$ 55,518</b>	<b>\$ 82,000</b>	<b>\$ 0</b>	<b>\$ (3,267,000)</b>	<b>\$ 0</b>	<b>\$ (11,748,000)</b>

LB 453 amends Neb. Rev. Stat. § 77-2716, the current adjustment decreasing for social security benefits. LB 453 provides that, for taxable years beginning on or after January 1, 2018, federal Adjusted Gross Income (AGI) shall be reduced by a percentage depending upon AGI and filing status. The reduction in AGI allowed for Social Security Income shall be as follows:

Reduction Percentage for Married, Filing Jointly						
Tax Year / AGI Level	AGI < \$75,000	\$75,000 <= AGI < \$80,000	\$80,000 <= AGI < \$85,000	\$85,000 <= AGI < \$90,000	\$90,000 <= AGI < \$95,000	AGI >= \$95,000
2018	20.00%	16.00%	12.00%	8.00%	4.00%	0.00%
2019	40.00%	32.00%	24.00%	16.00%	8.00%	0.00%
2020	60.00%	48.00%	36.00%	24.00%	12.00%	0.00%
2021	80.00%	64.00%	48.00%	32.00%	16.00%	0.00%
2022	100.00%	80.00%	60.00%	40.00%	20.00%	0.00%

Reduction Percentage for Single, Head of Household, or Married, Filing Separately						
Tax Year / AGI Level	AGI < \$60,000	\$60,000 <= AGI < \$65,000	\$65,000 <= AGI < \$70,000	\$70,000 <= AGI < \$75,000	\$75,000 <= AGI < \$80,000	AGI >= \$80,000
2018	20.00%	16.00%	12.00%	8.00%	4.00%	0.00%
2019	40.00%	32.00%	24.00%	16.00%	8.00%	0.00%
2020	60.00%	48.00%	36.00%	24.00%	12.00%	0.00%
2021	80.00%	64.00%	48.00%	32.00%	16.00%	0.00%
2022	100.00%	80.00%	60.00%	40.00%	20.00%	0.00%

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

FY17-18	\$ 82,000
FY18-19	\$ (3,267,000)
FY19-20	\$ (11,748,000)
FY20-21	\$ (20,559,000)
FY21-22	\$ (29,602,000)
FY22-23	\$ (35,752,000)

LB 453 will require a one-time programming charge of \$55,518 paid to the OCIO for mainframe and web development changes.

