

**FISCAL NOTE**  
 LEGISLATIVE FISCAL ANALYST ESTIMATE

<b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES</b> (See narrative for political subdivision estimates)				
	<b>FY 2018-19</b>		<b>FY 2019-20</b>	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS		(\$259,396,000)		(\$195,655,000)
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
<b>TOTAL FUNDS</b>		(\$259,396,000)		(\$195,655,000)

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

LB 1048 amends Nebraska Revised Statutes Section 77-2716.01 to provide that in any taxable year in which exemptions are not allowed on the federal tax return, certain individuals will be allowed personal exemptions on their Nebraska income return in order to reduce their Nebraska income tax liability.

In order to qualify for the Nebraska personal exemption, an individual filing a married filing jointly return must have a federal adjusted gross income (AGI) of no more than \$200,000. Individuals filing any other type of return must have an income of no more than \$100,000. Following tax year 2019, these amounts are to be adjusted for inflation.

For nonresident and partial year residents the personal exemption credit would be subtracted as set forth in Section 77-2715 (3).

The Department of Revenue estimates the following fiscal impact to the General Fund:

FY2018-19:	(\$ 259,396,000)
FY2019-20:	(\$ 195,655,000)
FY2020-21:	(\$ 207,572,000)
FY2021-22:	(\$ 220,291,000)

The estimated reduction in FY2018-19 is higher due to a decrease in tax liability for tax year 2018 which will be claimed as refunds or reductions in final payments when taxpayers file their 2018 income tax returns in April 2019.

The Department of Revenue estimates that there will be minimal costs to the implement the provisions of LB 1048.

We have no basis to disagree with the Department of Revenue's estimate of fiscal impact or cost.

<b>ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY &amp; POLT. SUB. RESPONSE</b>			
LB: 1048	AM:	AGENCY/POLT. SUB: Dept. of Revenue	
REVIEWED BY: Lyn Heaton	DATE: 2/5/2018	PHONE: <a href="tel:4024714181">402) 471-4181</a>	
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: 2/5/2018				
Approved by: Tony Fulton		Phone: 471-5896				
Date Prepared: 2/5/2018						
	<b>FY 2018-2019</b>		<b>FY 2019-2020</b>		<b>FY 2020-2021</b>	
	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>
General Funds		(\$259,396,000)		(\$195,655,000)		(\$207,572,000)
Cash Funds						
Federal Funds						
Other Funds						
<b>Total Funds</b>		<b>(\$259,396,000)</b>		<b>(\$195,655,000)</b>		<b>(\$207,572,000)</b>

LB 1048 amends Neb. Rev. Stat. § 77-2716.01 to replace the personal exemption credit during tax years in which exemptions are not allowed on the federal return. The replacement personal exemption is calculated using the current provisions of Neb. Rev. Stat. § 77-2716.01(1)

An individual would be allowed to claim a replacement personal exemption for him or herself, any dependents defined under 26 USC § 152, and the individual’s spouse if the individual is filing a married, filing jointly return, or if a joint return is not made by the individual and his or her spouse has no gross income for the taxable year.

The replacement personal exemption is limited to married, filing jointly taxpayers with federal adjusted gross income not greater than \$200,000, and not greater than \$100,000 for taxpayers with any other filing status. Beginning with tax year 2019, the thresholds are adjusted for inflation by the percentage contained in Neb. Rev. Stat. § 77-2715.03(3).

For nonresident and partial year resident individuals, the personal exemption credit would be subtracted pursuant to Neb. Rev. Stat. § 77-2715(3).

For tax years during which exemptions are allowed on the federal return, the personal exemption credit is allowed pursuant to the current provisions of Neb. Rev. Stat. § 77-2716.01(1)

The estimated reduction to General Fund revenues are as follows:

FY17-18	\$ -
FY18-19	\$ 259,396,000
FY19-20	\$ 195,655,000
FY20-21	\$ 207,572,000
FY21-22	\$ 220,291,000

The estimated reduction for FY18-19 is higher due to a decrease in tax liability for tax year 2018 which will be claimed as refunds or reductions in final payments when taxpayers file their 2018 income tax returns in April 2019.

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

