

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

<b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)</b>				
	<b>FY 2018-19</b>		<b>FY 2019-20</b>	
	<b>EXPENDITURES</b>	<b>REVENUE</b>	<b>EXPENDITURES</b>	<b>REVENUE</b>
GENERAL FUNDS	\$8,402	(\$326,000,000)	\$0	(\$257,000,000)
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
<b>TOTAL FUNDS</b>	<b>\$8,402</b>	<b>(\$326,000,000)</b>	<b>\$0</b>	<b>(\$257,000,000)</b>

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

LB 1090 amends several section of statutes regarding the Nebraska income tax.

Section 77-2715.03 is amended to provide that the method used to index individual income tax brackets for inflation will be based upon the Consumer Price Index for All Urban Consumers (CPI-U) published by the federal Bureau of Labor Statistics, beginning with tax years on or after January 1, 2018.

Section 77-2716.01 is amended to provide, beginning with tax year 2018, that the personal exemption credit shall be multiplied by the total of the child credits and dependent credits taken on the federal return, plus two for those taxpayers filing a married filing jointly tax return and plus one for other returns. For tax year 2018, the credit amount is \$134. For tax year 2019 and thereafter, the credit amount is to be adjusted for inflation based on the percentage change in CPI-U. The credit is available for any person who cannot be claimed as a dependent on another taxpayer's return.

In addition, Section 77-2716.01 is amended to establish a Nebraska standard deduction as follows for these categories of filers:

Single:	\$ 6,750
Head of Household:	\$ 9,900
Married Filing Separately:	\$ 9,900
Married Filing Jointly:	\$13,500

For filers who are allowed additional federal deductions because of age or blindness, an additional Nebraska deduction of \$1,300 for those filing married filing jointly returns, and \$1,600 for single or head of household filers.

The standard deduction amounts noted above are to be indexed for inflation using the CPI-U.

The Department of Revenue estimates the following fiscal impact to the General Fund as result of the provisions of LB 1090:

FY2018-19:	(\$ 326,000,000)
FY2019-20:	(\$ 257,000,000)
FY2020-21:	(\$ 289,000,000)

The Department notes that the cost for 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 indicates that LB 1090 will require a one-time programming charge of \$8,402 paid to the Office of the CIO for changes to the NebFile for individual income tax filing system.

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

LB 1090

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 1090	AM:	AGENCY/POLT. SUB: Dept. of Revenue
REVIEWED BY: Lyn Heaton	DATE: 2/5/2018	PHONE: <a href="tel:(402)471-4181">(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		Date Prepared: 2/2/2018				
		Phone: 471-5896				
	<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	\$8,402	(\$326 million)		(\$257 million)		(\$289 million)
Cash Funds						
Federal Funds						
Other Funds						
<b>Total Funds</b>	<b>\$8,402</b>	<b>(\$326 million)</b>		<b>(\$257 million)</b>		<b>(\$289 million)</b>

LB 1090 would amend Neb. Rev. Stat. § 77-2715.03 to provide that the method used to adjust the individual income tax brackets for inflation will no longer be the federal method after 2017, and instead will be based upon the Consumer Price Index – All Urban Consumers (CPI-U) for tax years beginning or deemed to begin on or after January 1, 2018. The method will continue to measure from the CPI-U for the 12 months ending August 31, 2016 (should be 2017) through the 12 months ending the August 31 before the beginning of the tax year.

Section 2 would amend Neb. Rev. Stat § 77-2716.01 to provide that, beginning with taxable years beginning on or after January 1, 2018, the \$134 personal exemption credit will be multiplied by the sum of the number of child credits and dependent credits taken on the federal return, plus 2 for married, filing jointly returns and one for any other returns. The personal exemption credit is available for any person that cannot be claimed as a dependent on another taxpayer’s return. The personal exemption credit amount is indexed for inflation using the CPI-U index with the 12 months ending August 31, 2017 as the base for cumulative inflation.

This section also establishes the Nebraska standard deduction as \$6,750 for single taxpayers and \$9,900 for head of household filers. The standard deduction for married, filing jointly returns is double the standard deduction for single returns. The additional amounts for age or blindness are \$1,300 for married taxpayers and \$1,600 for single or head-of-household taxpayers. These standard deduction amounts are indexed for inflation using the CPI-U index with the 12 months ending August 31, 2017 as the base.

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

Fiscal Year	Reduction to General Fund Revenues (\$ million)
FY18-19	\$ 326
FY19-20	\$ 257
FY20-21	\$ 289

The cost 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.

LB 1090 will require a one-time programming charge of \$8,402 paid to the OCIO for changes in the NebFile for individual income tax filing system.

