

FISCAL NOTE
 LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2022-23		FY 2023-24	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$65,030	(\$141,763,000)		(\$348,029,000)
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$65,030	(\$141,763,000)		(\$348,029,000)

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

LB 832 amends provisions related to income taxes. LB 832 creates a fifth income tax bracket, and sets new rates for taxable years beginning on or after January 1, 2023, as follows:

Brackets, Filing Status, and Tax Rates						
Bracket Number	Single Individuals	Married, Separate	Married, Joint	Head of Household	Estates & Trusts	Tax Rate
1	\$0-3,339	\$0-3,339	\$0-6,659	\$0-6,219	\$0-499	0%
2	\$3,340-32,209	\$3,340-32,209	\$6,660-64,429	\$6,220-47,759	\$500-15,149	3.51%
3	\$32,210-99,999	\$32,210-99,999	\$64,430-199,999	\$47,760-149,999	\$15,150-49,999	6.84%
4	\$100,000-999,999	\$100,000-999,999	\$200,000-1,999,999	\$150,000-1,499,999	\$50,000-499,999	7.75%
5	\$1,000,000+	\$1,000,000+	\$2,000,000+	\$1,500,000+	\$500,000+	8.25%

LB 832 provides that for each following year, the minimum and maximum amounts of each of the brackets will be adjusted for inflation. The Tax Commission is tasked with this calculation, and is to base the inflationary amount on the 12 month percentage change in the Consumer Price Index for All Urban Consumers. This period is to be the 12 months prior to August 31 of each year.

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

- (\$141,763,000)
- (\$348,029,000)
- (\$367,171,000)
- (\$387,366,000)

Additionally, the Department of Revenue estimates the need for a one-time OCIO charge of \$65,030 to implement LB 832.

There is no basis to disagree with these estimates.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 832	AM:	AGENCY/POLT. SUB: Department of Revenue
REVIEWED BY: Neil Sullivan	DATE: 1/25/2022	PHONE: (402) 471-4179
COMMENTS: No basis to disagree with the Department of Revenue assessment of fiscal impact from LB 832.		

State Agency Estimate

State Agency Name: Department of Revenue		Date Due LFO:				
Approved by: Tony Fulton		Date Prepared: 1/24/2022				
		Phone: 471-5896				
	FY 2022-2023		FY 2023-2024		FY 2024-2025	
	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>
General Funds	\$ 65,030	\$ (141,763,000)	\$0	\$ (348,029,000)	\$0	\$ (367,171,000)
Cash Funds						
Federal Funds						
Other Funds						
Total Funds	\$ 65,030	\$ (141,763,000)	\$0	\$ (348,029,000)	\$0	\$ (367,171,000)

LB 832 amends Neb. Rev. Stat § 77-2715.03 to change the individual income tax brackets and rates for taxable years beginning on or after January 1, 2023 to the following:

LB 832 Individual Income Tax Brackets and Rate					
Bracket	Single and Married Filing Separate	Married Filing Jointly	Head of Household	Estates and Trusts	Tax Rate
1	\$0 - \$3,339	\$0 - \$6,659	\$0 - \$6,219	\$0 - \$499	0.00%
2	\$3,340 - \$32,209	\$6,660 - \$64,429	\$6,220 - \$47,759	\$500 - \$15,149	3.51%
3	\$32,210 - \$99,999	\$64,430 - \$199,999	\$47,760 - \$149,999	\$15,150 - \$49,999	6.84%
4	\$100,000 - \$999,999	\$200,000-\$1,999,999	\$150,000 - \$149,9999	\$50,000 - \$499,999	7.75%
5	Over \$1,000,000	Over \$2,000,000	Over \$1,500,000	Over \$500,000	8.25%

For taxable years beginning on or after January 1, 2024, the minimum and maximum dollar amounts for the above income tax brackets shall be adjusted for inflation by the percentage change in the Consumer price Index for All Urban Consumers published by the federal Bureau of Labor Statistics from the 12 months ending on August 31, 2022, to the 12 months ending on August 31 of the year preceding the taxable year. The adjusted amount must be rounded to the nearest \$10 amount. If the adjusted amount ends in a five, it will be rounded up to the nearest \$10 amount. The applicable tax rate of any bracket must not be changed as part of the adjustment. The Tax Commissioner must prescribe new rate schedules that apply in lieu of the schedules set forth above by LB 832.

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

FY 2022-23	\$ (141,763,000)
FY 2023-24	\$ (348,029,000)
FY 2024-25	\$ (367,171,000)
FY 2025-26	\$ (387,366,000)

LB 832 would require a one-time programming charge of \$65,030 paid to the OCIO for mainframe and web development costs for the bracket and rate changes.

Major Objects of Expenditure								
Class Code	Classification Title	22-23	23-24	24-25	22-23	23-24	24-25	
		FTE	FTE	FTE	Expenditures	Expenditures	Expenditures	
	Benefits.....							
	Operating Costs.....				\$ 65,030			
	Travel.....							
	Capital Outlay.....							
	Capital Improvements.....							
	Total.....							