PREPARED BY: DATE PREPARED: PHONE: Austin Ligenza January 05, 2022 (402)471-0050

**LB 776** 

Revision: 00

## **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	\$105,660			(\$300,000)		
CASH FUNDS						
FEDERAL FUNDS						
OTHER FUNDS						
TOTAL FUNDS	\$105,660			(\$300,000)		

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

LB 776 provides for a reduction to Federal Adjusted Gross Income (FAGI). For tax year 2023 and each year after, reserve members of the US armed forces can reduce their FAGI in the following two scenarios:

- The member is ordered to active duty for ongoing federal military operations; or
- The member is called to state active duty for a natural disaster or state emergency.

For such reserve members, LB 776 allows them to reduce their FAGI by the amount equal to their military pay received for these events.

The Department of Revenue estimates that approximately 3% of reserve members are ordered to active duty each year. The estimated impact to General Fund revenues is as follows:

FY22-23: \$0

FY23-24: (\$300,000)

• FY24-25: (\$307,000)

The Department of Revenue estimates the need for a one-time OCIO charge of \$105,660 to implement LB 776. There is no basis to disagree with these estimates.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE					
LB: 776	AM:	AGENCY/POLT. SUB: Nebraska Department of Revenue (16)			
REVIEW	/ED BY: Joe Wilcox	DATE: 01/18/2022	PHONE: (402) 471-4178		
COMMENTS: No basis to disagree with the Nebraska Department of Revenue estimate of Potential one-time General Fund Fiscal Impact to the Agency from LB 776, as well as potential ongoing General Fund Revenue Loss from LB 776.					

LB 776 Fiscal Note 2022

State Agency Estimate						
State Agency Name: Department	of Revenue				Date Due LFO:	
Approved by: Tony Fulton		Date Prepared:	1/18/2022	1/18/2022 Phone: 471-5896		
	FY 2022-2023		FY 2023-2024		FY 2024-2025	
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue
General Funds	\$105,660	\$ 0		(\$ 300,000)		(\$ 307,000)
Cash Funds						
Federal Funds	-					
Other Funds						
Total Funds	\$105,660	\$ 0		(\$ 300,000)		(\$ 307,000)

LB 776 amends Neb. Rev. Stat. §77-2716 to provide, for taxable years beginning on or after January 1, 2023, that a reserve member of the U.S. armed forces that is (a) ordered to active duty under title 10 of the U.S. Code for ongoing federal military operations or (b) is activated to serve on State active duty for a natural disaster or other emergency as the Governor may direct, may reduce his or her federal adjusted gross income (AGI) by the pay received for such military service, to the extent such amounts are included in federal AGI.

Using historical data, The Department of Revenue (DOR) assumes that approximately 3% of the 4600 Nebraska Reserve members are promoted to active duty each year. Given the composition and pay of enlisted and officers within the Reserve, DOR estimates that the General Fund revenue will be reduced as follows:

FY 2022-23	\$ 0
FY 2023-24	\$ 300,000
FY 2024-25	\$ 307,000

LB 776 will require a one-time programming charge of \$105,660 paid to the OCIO for mainframe and web development costs.

DOR estimates minimal costs for implementation.

Major Objects of Expenditure							
Class Code	Classification Title	22-23 <u>FTE</u>	23-24 <u>FTE</u>	24-25 <u>FTE</u>	22-23 Expenditures	23-24 Expenditures	24-25 Expenditures
Benefits							
Operating Costs.					\$105,660		
Travel							
Capital Outlay							
Total		•••••	••••••	•••••••••••••••••••••••••••••••••••••••	\$105,660		