PREPARED BY: DATE PREPARED: PHONE: Austin Ligenza January 11, 2022 (402)471-0050

LB 825

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 | | (\$40,833,000) | | (\$44,655,000) | | |
| CASH FUNDS | | | | | | |
| FEDERAL FUNDS | | | | | | |
| OTHER FUNDS | | | | | | |
| TOTAL FUNDS | | (\$40,833,000) | | (\$44,655,000) | | |

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

LB 825 seeks to exempt certain social security income from taxation. LB 825 would amend the changes made by Laws 2021, LB 64, which set a schedule for the reduction of Federal Adjusted Gross Income equal to a percent of social security benefits received. Additionally, LB 825 would strike the intent language enacted with LB 64 describing the intent to further increase the social security exemption after tax year 2025.

The original schedule of social security benefits exempted is as follows:

- Jan 1, 2022 to Jan 1, 2023: 20%
- Jan 1, 2023 to Jan 1, 2024: 30%
- Jan 1, 2024 to Jan 1, 2025: 40%
- Jan 1, 2025 and each year after: 50%

LB 865 would accelerate the schedule as follows:

- Jan 1, 2022 to Jan 1, 2023: 40%
- Jan 1, 2023 to Jan 1, 2024: 60%
- Jan 1, 2024 to Jan 1, 2025: 80%
- Jan 1, 2025 and each year after: 100%

The Department of Revenue estimates the following loss to General Funds due to LB 825:

- FY22: \$0
- FY23: (\$40,833,000)
- FY24: (\$44,655,000)
- FY25: (\$59,591,000)
- FY26: (\$70,080,000)
- FY27: (\$73,816,000)

Additionally, the Department of Revenue estimates minimal costs to implement LB 825. There is no basis to disagree with these estimates.

| State Agency Estimate | | | | | | | |
|-------------------------------|---|-----------------|--------------|-----------------|---------------|-----------------|--|
| State Agency Name: Department | of Revenue | | | | Date Due LFO: | | |
| Approved by: Tony Fulton | Approved by: Tony Fulton Date Prepared: FY 2022-2023 | | 1/14/2022 | Phone: 471-5896 | | | |
| | | | FY 2023-2024 | | FY 2024-2025 | | |
| | Expenditures | Revenue | Expenditures | Revenue | Expenditures | Revenue | |
| General Funds | | \$ (40,833,000) | | \$ (44,655,000) | | \$ (59,591,000) | |
| Cash Funds | | | | | | | |
| Federal Funds | | | | | | | |
| Other Funds | | | | | | | |
| Total Funds | | \$ (40,833,000) | | \$ (44,655,000) | | \$ (59,591,000) | |
| | | | | | | | |

LB 825 amends Neb. Rev. Stat. § 77-2716 to change the provisions related to the taxation of benefits received by taxapers under the federal Social Security Act that are included in the federal adjusted gross income (AGI) of the taxpayer.

Federal AGI would be reduced by a percentage of social security benefits as follows:

- 40% for taxable years beginning on or after January 1, 2022 and before January 1, 2023;
- 60% for taxable years beginning on or after January 1, 2023 and before January 1, 2024;
- 80% for taxable years beginning on or after January 1, 2024 and before January 1, 2025; and
- 100% for taxabe years beginning on or after January 1, 2025.

LB 825 elimiates the provision providing the Legislature's intention to increase the percentages in future taxable years within five years of August 28, 2021.

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

| FY 2021-22 | \$ - |
|------------|--------------------|
| FY 2022-23 | \$ (40,833,000) |
| FY 2023-24 | \$ (44,655,000) |
| FY 2024-25 | \$ (59,591,000) |
| FY 2025-26 | \$ (70,080,000) |
| FY 2026-27 | \$ (73,816,000) |

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

| 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 <u>Expenditures</u> |
| | | | | | | | |
| | | | | | | | |
| Benefits | | <u> </u> | | | | | |
| Operating Costs. | | | | | | | |
| | | | | | | | |
| Capital Improvement | ts | | | | | | |
| Total | | | | | | | |