## Revision: 00 FISCAL NOTE LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)							
	FY 2025	5-26	FY 2026-27				
	EXPENDITURES		EXPENDITURES	REVENUE			
GENERAL FUNDS	\$135,958	(\$7,502,000)	\$64,400	(\$5,474,000)			
CASH FUNDS							
FEDERAL FUNDS							
OTHER FUNDS							
TOTAL FUNDS	\$135,958	(\$7,502,000)	\$64,400	(\$5,474,000)			

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

LB 28 provides that for taxable years on or after January 1, 2025, there shall be subtracted from the federal adjusted gross income of individuals any amount received by the individual as tip income to the extent such amount is included in federal adjusted gross income.

The Department of Revenue (DOR) estimates the following decrease to General Fund revenues as a result of the bill:

- FY26: (\$7,502,000)
- FY27: (\$5,474,000)
- FY28: (\$5,638,000)
- FY29: (\$5,807,000)

The DOR also estimates the need for a one-time programming charge of \$66,558 to be paid to the Office of the Chief Information Officer (OCIO) and a Fiscal Compliance Analyst as a result of the bill.

There is no basis to disagree with these estimates.

 ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE

 LB: 28
 AM:
 AGENCY/POLT. SUB: Department of Revenue

 REVIEWED BY:
 Ryan Yang
 DATE: 3/12/2025
 PHONE: (402) 471-4178

COMMENTS: The Department of Revenue assessment of fiscal impact from LB 28 appears reasonable.

## Fiscal Note 2025

State Agency Estimate							
State Agency Name: Department of Revenue			Date Due LFO:				
Approved by: James R. Kamm I		Date Prepared:	03/11/2025				
	<u>FY 2025-2026</u>		FY 2026-2027		<u>FY 2027-2028</u>		
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue	
General Funds	\$135,958	\$ (7,502,000)	\$64,400	\$ (5,474,000)	\$64,400	\$ (5,638,000)	
Cash Funds							
Federal Funds							
Other Funds							
Total Funds	\$135,958	\$ (7,502,000)	\$64,400	\$ (5,474,000)	\$64,400	\$ (5,638,000)	

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LB 28 adds a decreasing adjustment, beginning for tax years on or after January 1, 2025, for any amount received by an individual as tip income to the extent such amount is included in federal adjusted gross income.

The estimated fiscal impact of LB 28 to the General Fund revenues would be as follows:

	General Fund		
	revenues		
FY24-25	\$ -		
FY25-26	\$ (7,502,000)		
FY26-27	\$ (5,474,000)		
FY27-28	\$ (5,638,000)		
FY28-29	\$ (5,807,000)		

LB 28 will require a one-time programming charge of \$66,558 paid to the OCIO to add a line to Schedule I of the 1040N form as well as to the NebFile online filing system. The Department of Revenue will also need to hire 1.0 FTE of Fiscal Compliance Analyst to verify the tip incomes included in the adjustment.

Major Objects of Expenditure							
Class Code	Classification Title	25-26 <u>FTE</u>	26-27 <u>FTE</u>	27-28 <u>FTE</u>	25-26 Expenditures	26-27 <u>Expenditures</u>	27-28 <u>Expenditures</u>
A21211	Fiscal Compliance Analyst	1.0	1.0	1.0	\$48,400	\$48,400	\$48,400
Benefits					\$16,000	\$16,000	\$16,000
Operating Costs				\$66,558			
Capital Outlay				\$5,000			
Capital Improvem	ents						
Total				\$135,958	\$64,400	\$64,400	