

FISCAL NOTE
 LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)					
EXPENDITURES	GENERAL	CASH	FEDERAL	REVOLVING	TOTAL
FY2025-2026	0	0	0	0	0
FY2026-2027	83,457	0	0	0	83,457
FY2027-2028	0	0	0	0	0
FY2028-2029	0	0	0	0	0
REVENUE	GENERAL	CASH	FEDERAL	REVOLVING	TOTAL
FY2025-2026	0	0	0	0	0
FY2026-2027	(26,447,000)	0	0	0	(26,447,000)
FY2027-2028	(19,603,000)	0	0	0	(19,603,000)
FY2028-2029	(20,414,000)	0	0	0	(20,414,000)

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

LB932 would provide a deduction from federal AGI for tip and overtime income, as defined in 26 U.S.C. § 224 and 26 U.S.C. § 225, respectively, for tax years beginning on or after January 1, 2026.

An individual would be able to deduct up to \$25,000 for qualified tips, except that the amount would be reduced by \$100 for every \$1,000 of federal AFI over \$150,000 for individuals, or \$300,000 for married, filing jointly. In addition, the bill would allow an individual taxpayer to deduct an amount equal to the amount of qualified overtime compensation, up to \$12,500 per tax year for individuals and \$25,000 for married filing jointly, except that the amount would be reduced by \$100 for every \$1,000 of federal AGI over \$150,000 or \$300,000 for married, filing jointly.

The Department of Revenue (DOR) estimates that the provisions of LB932 would have the following impacts on General Fund Revenues:

- FY2026-27 \$ (26,447,000)
- FY2027-28 \$ (19,603,000)
- FY2028-29 \$ (20,414,000)

DOR also reports that the provisions of LB932 would require a one-time update to add a line to the Form 1040N, Schedule I, as well as changes to the NebFile system. The Department estimates that the OCIO would charge \$83,457 to make the necessary changes.

There is no basis to disagree with the Department’s estimates.

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

LB: 932 AM: AGENCY/POLT. SUB: Department of Revenue

REVIEWED BY: Ryan Yang DATE: 2/17/2025 PHONE: (402) 471-4178

COMMENTS: The Department of Revenue assessment of fiscal impact from LB 932 appears reasonable.

LB 932 requires a one-time programming charge of \$83,457 paid to OCIO to add lines to form 1040N, Schedule I and NebFile for Individuals.