PREPARED BY: DATE PREPARED: PHONE: Doug Gibbs February 02, 2015 402-471-0051

LB 64

Revision: 00

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT - STATE AGENCIES (See narrative for political subdivision estimates)						
	FY 201	5-16	FY 2016-17			
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE		
GENERAL FUNDS	\$33,318	\$0	\$0	(\$45,637,000)		
CASH FUNDS						
FEDERAL FUNDS						
OTHER FUNDS						
TOTAL FUNDS	\$33,318	\$0	\$0	(\$45,637,000)		

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

LB 64 amends the Nebraska Revenue Act of 1967, Section 77-2716, regarding modifications and or exclusions to federal adjusted gross income (AGI) for Nebraska state income tax purposes.

The bill modifies AGI by excluding from AGI the amount of income received from all secondary jobs. The amount of excluded income allowed is up to \$240,000 for taxpayers filing a married filing jointly return and \$120,000 for all other returns and must meet the following conditions:

- The amount of income from secondary jobs is more than 10% but less than 100% of the amount of income from the taxpayer's primary job; and
- > The amount of income from the primary job and all secondary jobs in the current taxable year equals or exceeds that amount from the previous taxable year; and
- > The employers for the taxpayer's primary job and secondary job are not related persons, or if the taxpayer is selfemployed for a secondary job, the taxpayer is not related to their primary job employer.

Primary job does not include self-employment and is the job the taxpayer is employed for at least 40 hours a week for 48 weeks in the taxable year and for which the taxpayer earns wages, salaries, tips or other payments subject to federal income tax withholding. It must also meet federal minimum wage requirements.

Secondary job is one in which the taxpayer works in addition to the taxpayer's primary job and is either self-employment or they earn wages, salaries, tips or other payments subject to federal income tax withholding and also meets federal minimum wage requirements.

The bill becomes operative for taxable years beginning January 1, 2016 and thereafter.

The Department of Revenue estimates the fiscal impact to the General Fund as follows:

FY2015-16: \$ 0 FY2016-17: (\$ 45,637,000) FY2017-18: (\$ 48,273,000) FY2018-19: (\$ 51,057,000)

The Department of Revenue indicates that LB 64 will require a one-time programming charge of \$33,318 paid to the Office of the CIO to add a line to the Form 1040N, Nebraska Schedule I, as well as to the NebFile system.

We have no basis to disagree with the Department of Revenue's estimate of fiscal impact or cost.

State Agency Estimate							
State Agency Name: Department	t of Revenue				Date Due LFA:	2/2/2015	
Approved by: Len Sloup		Date Prepared:	2/2/2015		Phone: 471-5896		
	FY 2015-	FY 2015-2016		FY 2016-2017		FY 2017-2018	
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue	
General Funds	\$33,318	\$0	\$0	(\$45,637,000)	\$0	(\$48,273,000)	
Cash Funds							
Federal Funds							
Other Funds							
Total Funds	\$33,318	\$0	\$0	(\$45,637,000)	\$0	(\$48,273,000)	
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LB 64 provides a reduction to federal adjusted gross income in the amount of income received by the taxpayer from all secondary jobs if the amount of income from the taxpayer's secondary job is more than ten percent but less than one hundred percent of the amount of income from the taxpayer's primary job; the taxpayer's income from his or her primary job and all secondary jobs in the current taxable year equals or exceeds the amount of income from the prior taxable year; and the taxpayer's primary and secondary employers are not related persons.

The maximum exclusion allowed is two hundred forty thousand dollars for a married, filing jointly or one hundred twenty thousand dollars for any other returns. The reduction is available for tax years beginning on or after January 1, 2016.

A primary job is defined as a job in which the taxpayer is employed for at least forty hours per week for at least forty-eight weeks in the taxable year and for which the taxpayer earns compensation exceeding the federal minimum wage and which is subject to withholding for federal income tax purposes, but does not include self-employment. If the taxpayer has more than one job that meets the definition of a primary job, the job generating the most income will be considered the primary job.

The estimated total reduction to the General Fund revenues would be as follows:

FY 2015-2016	\$ 0
FY 2016-2017	\$ 45,637,000
FY 2017-2018	\$ 48,273,000
FY 2018-2019	\$ 51,057,000

LB 64 would require a one-time programming charge of \$33,318 paid to the OCIO to add a line to the Form 1040N, Nebraska Schedule I, as well as to the NebFile online filing system.

Major Objects of Expenditure							
Class Code	Classification Title	15-16 <u>FTE</u>	16-17 <u>FTE</u>	17-18 <u>FTE</u>	15-16 Expenditures	16-17 Expenditures	17-18 Expenditures
Benefits							
Operating Costs					\$33,318	\$0	\$0
Capital Outlay							
A : A							
Capital Improvements							
					\$33,318	\$0	\$0