| ESTIMATE OF FISCAL IMPACT - STATE AGENCIES (See narrative for political subdivision estimates) |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: |
|  | FY 2015-16 |  | FY 2016-17 |  |
|  | EXPENDITURES | REVENUE | EXPENDITURES | REVENUE |
| GENERAL FUNDS | \$11,815 | (\$151,726,000) | \$0 | (\$114,211,000) |
| CASH FUNDS |  |  |  |  |
| FEDERAL FUNDS |  |  |  |  |
| OTHER FUNDS |  |  |  |  |
| TOTAL FUNDS | \$11,815 | (\$151,726,000) | \$0 | (\$114,211,000) |

Any Fiscal Notes received from state agencies and political subdivisions are attached following the Legislative Fiscal Analyst Estimate.
LB 20 amends the Nebraska Revenue Act of 1967, Section 77-2716, dealing with reductions and modifications to federal adjusted gross income (AGI) for Nebraska state income tax purposes.

The bill would reduce AGI by the entire amount of Social Security benefits received for the tax year beginning January 1, 2015 and thereafter.

The bill would also modify AGI by excluding income received as military retirement benefits for the tax year beginning January 1, 2015 and thereafter.

The Department of Revenue estimates the following fiscal impact to the General Fund as a result of LB 20:

| FY2015-16: | $(\$ 151,726,000)$ |
| :--- | :--- |
| FY2016-17: | $(\$ 114,211,000)$ |
| FY2017-18: | $(\$ 121,090,000)$ |
| FY2018-19: | $(\$ 127,904,000)$ |

The loss of revenue in FY2015-16 is greater than subsequent years because with an exemption beginning on or after January 1, 2015, any estimated payments and withholding relating to these benefits that will have already occurred in 2015, will be refunded in 2016.

The Department of Revenue indicates that LB 20 will require a one-time programming cost of $\$ 11,815$ for mainframe programming changes as well as web programming costs for the NebFile system.

We agree with the Department of Revenue's estimate of fiscal impact and cost.

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY \& POLT. SUB. RESPONSES

| ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY \& POLT. SUB. RESPONSES |  |  |  |
| :--- | :--- | :--- | :--- |
| LB: 20 | AM: | AGENCY/POLT. SUB: Dept. of Revenue |  |
| REVIEWED BY: Lyn Heaton | DATE: $2 / 2 / 2015$ | PHONE: 471-4181 |  |
| COMMENTS: No basis upon which to disagree with the Department's analysis. |  |  |  |


| State Agency Estimate |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| State Agency Name: Department of Revenue |  |  |  |  | Date Due LFA: $\quad$ 2/2/2015 |  |
| Approved by: Len Sloup |  | Date Prep | 2/2/2015 |  |  |  |
|  | FY 2015-2016 |  | FY 2016-2017 |  | FY 2017-2018 |  |
|  | Expenditures | Revenue | Expenditures | Revenue | Expenditures | Revenue |
| General Funds | \$11,815 | (\$151,726,000) | \$0 | (\$114,211,000) | \$0 | (\$121,090,000) |
| Cash Funds |  |  |  |  |  |  |
| Federal Funds |  |  |  |  |  |  |
| Other Funds |  |  |  |  |  |  |
| Total Funds | \$11,815 | (\$151,726,000) | \$0 | (\$114,211,000) | \$0 | (\$121,090,000) |

LB 20 provides a reduction to federal adjusted gross income for all benefits under the federal Social Security Act and military retirement benefits included in federal adjusted gross income for tax years beginning on or after January 1, 2015.

Military retirement benefits are defined as retirement benefits that are periodic payments attributable to service in the uniformed or civilian services of the United States Department of Defense for personal services performed by an individual prior to his or her retirement.

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

| FY2015-2016 | $\$$ | $(151,726,000)$ |
| :--- | :--- | :--- |
| FY2016-2017 | $\$$ | $(114,211,000)$ |
| FY2017-2018 | $\$$ | $(121,090,000)$ |
| FY2018-2019 | $\$$ | $(127,904,000)$ |

The cost for FY2015-2016 is greater than the cost for FY2016-2017 because with an exemption starting with tax years beginning on or after January 1, 2015, any estimated payments and withholding relating to these benefits that will already have occurred in 2015, will end up being refunded in 2016.

LB 20 will require a one-time programming charge of $\$ 11,815$ for mainframe programming change and as well as web programming costs for the NebFile online filing system.

| Major Objects of Expenditure |  |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Class Code | Classification Title | $\begin{aligned} & \hline 15-16 \\ & \text { FTE } \end{aligned}$ | $\begin{aligned} & \hline \text { 16-17 } \\ & \text { FTE } \end{aligned}$ | $\begin{aligned} & \hline 17-18 \\ & \text { FTE } \end{aligned}$ | $\begin{gathered} \hline 15-16 \\ \text { Expenditures } \end{gathered}$ | 16-17 <br> Expenditures | 17-18 <br> Expenditures |
| Class Code |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
| Benefits. |  |  |  |  |  |  |  |
| Operating Costs. |  |  |  |  | \$11,815 | \$0 | \$0 |
| Travel.......... |  |  |  |  |  |  |  |
| Capital Outlay... |  |  |  |  |  |  |  |
| Aid............. |  |  |  |  |  |  |  |
| Capital Improven |  |  |  |  |  |  |  |
| Total...... |  |  |  |  | \$11,815 | \$0 | \$0 |

