

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

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	(\$22,734,000)	\$3,855	(\$40,975,000)
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$11,815	(\$22,734,000)	\$3,855	(\$40,975,000)

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

LB 165 amends the Nebraska Revenue Act of 1967, Section 77-2716.

The bill strikes language that provides for a reduction in federal adjusted gross income (AGI) for Nebraska state income tax purposes by the amount received as benefits under the Social Security Act which are included in AGI, that meet certain income guidelines.

The bill amends Section 77-2716 to phase in a complete elimination of state income tax on Social Security benefits, to the extent they are include in federal AGI for federal tax purposes, beginning tax year 2015 at a rate of twenty percent each year. The Department of Revenue estimates the following fiscal impact to the General Fund:

Tax Year Beginning:	Percentage Reduction in AGI:	Fiscal Year:	Impact to General Fund:
January 1, 2015	20%	2015-16:	(\$ 22,734,000)
January 1, 2016	40%	2016-17	(\$ 40,975,000)
January 1, 2017	60%	2017-18	(\$ 65,248,000)
January 1, 2018	80%	2018-19	(\$ 91,179,000)
January 1, 2019	100%	2019-20	(\$109,305,000)

The bill has an operative date of January 1, 2015.

The Department of Revenue estimates a programming charge of \$11,815 paid to the Office of the CIO to add a line to the Form 1040N, Schedule I, as well as to the NebFile system. For subsequent years, an annual charge of \$3,855 paid to the Office of the CIO will be necessary for mainframe development costs to address the phased in adjustment percentage for the reduction.

We agree with the Department of Revenue's estimate of fiscal impact to the General Fund and have no basis to disagree with the Department's estimate of cost.

