PREPARED BY: DATE PREPARED: PHONE: Doug Gibbs February 24, 2015 402-471-0051

LB 523

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 20	16-17				
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE				
GENERAL FUNDS	\$50,614	\$67,698,000	\$0	\$142,061,000				
CASH FUNDS								
FEDERAL FUNDS								
OTHER FUNDS								
TOTAL FUNDS	\$50,614	\$67,698,000	\$0	\$142,061,000				

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

LB 523 amends the Nebraska Revenue Act of 1967 to change tax rates for both individual and corporate income tax.

Section 77-2715.03 is amended to change the individual income tax rates for tax years beginning January 1, 2016 and after as follows: (bracket income levels remain unchanged)

Bracket #:	Current Tax Rate:	LB 523 Tax Rate:
1	2.46%	2.56%
2	3.51%	3.65%
3	5.01%	5.21%
4	6.84%	7.11%

For tax years beginning January 1, 2017 and after, the brackets would be adjusted for inflation.

Section 77-2734.02 is amended to change the corporate income tax rates for tax years beginning January 1, 2016 and after as follows:

 Income Level:
 Current Tax Rate:
 LB 523 Tax Rate:

 First \$100,000:
 5.58%
 5.80%

 Over \$100,000:
 7.81%
 8.12%

The Department of Revenue estimates the following fiscal impact of LB 523 to the General Fund:

Fiscal Year:	Individual Income Tax:	Corporate Income Tax:	
2015-16:	\$ 66,856,000	\$ 842,000	
2016-17:	\$ 131,990,000	\$ 10,071,000	
2017-18:	\$ 124,650,000	\$ 13,312,000	
2018-19:	\$ 131,861,000	\$ 13,094,000	

The Department of Revenue indicates LB 523 will require a one-time charge of \$50,614 paid to the Office of the CIO for mainframe development as well as the web development costs for the NebFile online filing system.

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

1						
ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES						
LB: 523 AM: AGENCY/POLT. SUB: Dept. of Education						
REVIEWED BY: Lyn Heaton DATE: 2/24/2015 PHONE: 471-4181						
COMMENTS: A	COMMENTS: Any allocation of the increased state income tax revenue as aid to public schools will be subject to further					
action by the Legislature since LB 523 does not amend statutes relative to the school aid formula or establish any specific						
appropriation for	r funding to public schoo	S.				

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES						
LB: 523 AM: AGENCY/POLT. SUB: Dept. of Revenue						
REVIEWED B	REVIEWED BY: Lyn Heaton DATE: 2/24/2015 PHONE: 471-4181					
COMMENTS:	No basis upon which	to disagree with the	e Department of Revenue's a	nalysis.		

<b>LB</b> <sup>(1)</sup> 523				<b>FISCAL NOTE</b>
State Agency OR Political Subdivision Name: (2)	Dept of Education	on		
Prepared by: (3) Bryce Wilson	Date Prepared: (4)	1/22/15	Phone: (5)	402-471-4320
ESTIMATE PROVID	ED BY STATE AGENC	Y OR POLITICAL	SUBDIVISIO	DN
FY 2	2015-1 <u>6</u>		FY 2016	-17
<b>EXPENDITURES</b>	<u>REVENUE</u>	<b>EXPENDITU</b>	<u>JRES</u>	<u>REVENUE</u>
GENERAL FUNDS				
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS		-		
Explanation of Estimate:				
property taxes by increasing the income and 8.12% on all taxable i bill cannot be determined at this	ncome in excess of			
	OWN BY MAJOR OBJ	ECTS OF EXPEND	ITURE	
Personal Services:	IMPED OF DOCUTIONS	2017.10		2010.15
	JMBER OF POSITIONS 15-16 16-17	2015-16 EXPENDITI		2016-17 EXPENDITURES
Benefits				
Operating				
Travel		-		
Capital outlay				
Aid				
Capital improvements				
TOTAL				

		State Agency	Estimate			_
State Agency Name: Department	of Revenue				Date Due LFA:	2/24/2015
Approved by: Len Sloup		Date Prepared:	2/23/2015		Phone: 471-5896	
	FY 2015-	<u>-2016</u>	FY 201	6-2017	FY 20	17-2018
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue
General Funds	\$50,614	\$67,698,000		\$142,061,000		\$137,962,000
Cash Funds						
Federal Funds						
Other Funds					<u> </u>	
Total Funds	\$50,614	\$67,698,000		\$142,061,000	<u> </u>	\$137,962,000
	<u> </u>					

LB 523 increases individual income tax rates and corporation income tax rates for tax years beginning on or after January 1, 2016. The individual income tax brackets and rates are as follows for tax year 2016:

	Individual Income Tax Bracket and Rate for Tax Year 2016						
	Single / Married, Married, Filing Filing Separate  Married, Filing Jointly  Head of Household Tax Rate						
Bracket 1	\$0 - \$3,000	\$0 - \$6,000	\$0 - \$5,600	2.56%			
Bracket 2	\$3,000 - \$18,000	\$6,000 - \$36,000	\$5,600 - \$28,800	3.65%			
Bracket 3	\$18,000 - \$29,000	\$36,000 - \$58,000	\$28,800 - \$43,000	5.21%			
Bracket 4	\$29,000 and Over	\$58,000 and Over	\$43,000 and Over	7.11%			

For tax years beginning on or after tax year 2017, the brackets would be adjusted for inflation.

LB 523 increases corporation income tax rates to 5.80 percent on the first one hundred thousand dollars of taxable income and 8.12 percent on all taxable income in excess of one hundred thousand dollars.

The estimated impact of LB 523 on General Fund revenues would be as follows:

	Individual Income Tax	Corporation Income Tax
FY2015-16	\$ 66,856,000	\$ 842,000
FY2016-17	\$ 131,990,000	\$ 10,071,000
FY2017-18	\$ 124,650,000	\$ 13,312,000
FY2018-19	\$ 131,861,000	\$ 13,094,000

LB 523 would require a one-time charge of \$50,614 paid to the OCIO for mainframe development as well as the web development costs for 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					I .			
Operating Costs					\$50,614			
Travel								
Capital Outlay								
Aid								
Capital Improvements								
					\$50,614			