

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2017-18		FY 2018-19	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$8,402	\$0	\$0	(\$71,260,000)
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$8,402	\$0	\$0	(\$71,260,000)

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

LB 380 amends the Nebraska Revenue of 1967, Nebraska Revised Statutes Sections 77-2715.03 and 77-2716.01, regarding the Nebraska personal income tax.

Section 77-2715.03 is amended for tax years beginning on or after January 1, 2019, to change the tax rate for tax bracket four to 5.99%. The current tax rate for tax bracket four is 6.84%.

Section 77-2716.01 is amended to change the calculation method for the Nebraska standard deduction and itemized deduction.

The calculation becomes a three-step process based on the taxpayers adjusted gross income and filing status and the percentage of that income that falls within five brackets specified in the bill. Dependent on income level and filing status this could result in a reduction in the amount of the deduction.

The bill also amends section 77-2716.01 to provide for an adjustment of the standard deduction for inflation.

The Department of Revenue estimates the following fiscal impact to the General Fund as a result of the provisions of LB 380:

FY2017-18:	\$ 0
FY2018-19:	(\$ 71,260,000)
FY2019-20:	(\$ 173,543,000)
FY2020-21:	(\$ 179,543,000)
FY2021-22:	(\$ 185,585,000)
FY2022-23:	(\$ 191,713,000)
FY2023-24:	(\$ 197,901,000)
FY2024-25:	(\$ 204,150,000)

The Department of Revenue estimates the LB 380 will require a one-time payment to the Office of the CIO of \$8,402 for programing changes to the NebFile online filing system.

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

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 380	AM:	AGENCY/POLT. SUB: Department of Revenue
REVIEWED BY: Lyn Heaton	DATE: 2/13/2017	PHONE: (402) 471-4181
COMMENTS: No basis upon which to disagree with the Dept. of Revenue's analysis.		

State Agency Estimate

State Agency Name: Department of Revenue		Date Due LFA: 2/13/2017				
Approved by: Tony Fulton		Phone: 471-5896				
Date Prepared: 2/10/2017						
	FY 2017-2018		FY 2018-2019		FY 2019-2020	
	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>
General Funds	\$8,402	\$ 0		(\$ 71,260,000)		(\$ 173,543,000)
Cash Funds						
Federal Funds						
Other Funds						
Total Funds	\$8,402	\$ 0		(\$ 71,260,000)		(\$ 173,543,000)

LB 380 would amend Neb. Rev. Stat. § 77-2715.03 to reduce the income tax rate for the highest individual income tax bracket from 6.84% to 5.99% beginning with tax years beginning, or deemed to begin, on or after January 1, 2019.

The bill would also amend Neb. Rev. Stat. § 77-2716.01 to reduce the standard deduction and itemized deductions for individuals as federal adjusted gross income increases, also beginning in taxable year 2019. The way the reduction calculation works is that the standard or itemized deduction, as applicable, would be multiplied by a fraction that is the sum of fractions calculated for five levels of income, the share of each that reflects the total federal adjusted gross income of the taxpayer, multiplied by a fraction which is lower depending on how much of the taxpayers income is within the level. The five levels are \$0 to \$75,000; \$75,001 - \$100,000; \$101,001 - \$150,000; \$150,001 - \$200,000; and over \$200,000 for single, head of household, and married filing separate returns, and double those amounts for married filing jointly returns. The share of the taxpayer’s federal adjusted gross income in the first level is multiplied by 100%, the share in the second level by 75%, the third level by 50%, the fourth level by 25%, and the fifth by 0%. The sum of the fractions is then the percent of the standard deduction or itemized deductions that may be taken by the taxpayer.

The estimated impact to General Fund revenues would be as follows:

FY17-18	\$ -
FY18-19	\$ (71,260,000)
FY19-20	\$ (173,543,000)
FY20-21	\$ (179,562,000)
FY21-22	\$ (185,585,000)
FY22-23	\$ (191,713,000)
FY23-24	\$ (197,901,000)
FY24-25	\$ (204,150,000)

LB 380 would require a one-time payment to the OCIO of \$8,402 for programming changes to the online filing system (Nebfile).

Major Objects of Expenditure

Class Code	Classification Title	17-18	18-19	19-20	17-18	18-19	19-20
		FTE	FTE	FTE	Expenditures	Expenditures	Expenditures
	Benefits.....						
	Operating Costs.....				\$8,402		
	Travel.....						
	Capital Outlay.....						
	Aid.....						
	Capital Improvements.....						
	Total.....				\$8,402		