PREPARED BY: DATE PREPARED: PHONE: John Wiemer February 20, 2024 402-471-0051

LB 1058

Revision: 00

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)							
	FY 202	24-25	FY 2025-26				
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE			
GENERAL FUNDS	\$120,387	(\$88,142,000)	\$50,300	(\$207,785,000)			
CASH FUNDS							
FEDERAL FUNDS							
OTHER FUNDS							
TOTAL FUNDS	\$120,387	(\$88,142,000)	\$50,300	(\$207,785,000)			

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

LB 1058 would make changes so that for taxable years beginning on or after January 1, 2025 an individual who is 55 years of age or older at the close of the taxable year could reduce his or her federal adjusted gross income by the amounts received as pensions or annuities, to the extent included in federal adjusted gross income.

The Department of Revenue (DOR) estimates the following decrease to General Fund revenues as a result of this bill:

- FY 24-25: (\$88,142,000)
- FY 25-26: (\$207,785,000)
- FY 26-27: (\$198,931,000)
- FY 27-28: (\$197,852,000)
- FY 28-29: (\$207,536,000)

The DOR estimates a need for a one-time programming charge of \$65,087 for mainframe and web development costs as well as a need for a Revenue Operations Clerk II to implement this bill.

There is no basis to disagree with these estimates. However, the DOR does not assume any salary or benefits increases for FY25-26 and FY26-27 for the additional personnel needed pursuant to this bill's provisions. While the actual salary and health insurance increases for FY25-26 and thereafter are not yet determined, it is important to note that any additional personnel in FY24-25 will have ongoing rising costs associated with salary and health insurance increases, which are normally addressed in the biennial budget process for all bargaining and non-bargaining employees.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE					
LB: 1058	AM:	AGENCY/POLT. SUB: Departm	AGENCY/POLT. SUB: Department of Revenue		
REVIEWED	BY: Neil Sullivan	DATE: 2/20/2024	PHONE: (402) 471-4179		
COMMENTS: The Department of Revenue assessment of fiscal impact from LB 1058 appears reasonable.					

LB 1058 Fiscal Note 2024

State Agency Estimate						
State Agency Name: Department of	Date Due LFO:					
Approved by: James R. Kamm		Date Prepared:	02/16/2024 Phone: 471-5896			
	FY 2024-2025 F		FY 202	FY 2025-2026 FY 202		
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue
General Funds	\$120,387	\$(88,142,000)	\$50,300	\$(207,785,000)	\$50,300	\$(198,931,000)
Cash Funds						
Federal Funds						
Other Funds						
Total Funds	\$120,387	\$(88,142,000)	\$50,300	\$(207,785,000)	\$50,300	\$(198,931,000)

LB 1058 adds a provision to exclude from the federal adjusted gross income (AGI) for taxable years beginning or deemed to begin on or after January 1, 2025, for pensions or annuities, from any sources, for individual who is 55 years or older at the end of the taxable year.

Pensions and annuities mean retirement benefits that are periodic payments attributable to personal services performed by the individual prior to retirement from employment that stems from employer-employee relationship or contributions to a retirement plan that are deductible for federal income tax purposes.

The term also includes distributions from individual retirement arrangements and self-employed retirement accounts if the distributions are not premature distributions for federal income tax purposes; amounts received from fully matured privately purchased annuities; and amounts paid by any source for reason of permanent disability or death of the entitled person to receive the benefits are also included.

The term does not include social security benefits as defined in Neb. Rev. Stat. § 77-2716(14)(b), military retirement benefits as defined in § 77-2716(15)(c) or amounts received as annuities under the Federal Employees Retirement System, or Civil Service Retirement System as described in § 77-2716(20).

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

FY2024-25	\$ (88,142,000)
FY2025-26	\$ (207,785,000)
FY2026-27	\$ (198,931,000)
FY2027-28	\$ (197,852,000)
FY2028-29	\$ (207,536,000)

LB 1058 will require a one-time programing charge of \$65,087 for mainframe and web development cost to add a line to the 1040N Schedule I. In addition, DOR will need to hire 1.0 FTE Revenue Operation Analyst for the verification of credits.

Major Objects of Expenditure							
Class Code S29112	Classification Title Revenue Op Clerk II	24-25 <u>FTE</u>	25-26 <u>FTE</u>	26-27 <u>FTE</u>	24-25 <u>Expenditures</u> \$37,800	25-26 <u>Expenditures</u> \$37,800	26-27 <u>Expenditures</u> \$37,800
	The state of Claim II			1	\$57,500	\$37,000	\$37,000
Benefits				\$12,500	\$12,500	\$12,500	
					\$65,087	\$0	\$0
Capital Outlay				\$5,000			
Capital Improvements				\$120,387	\$50,300	\$50,300	