

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2014-15		FY 2015-16	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$31,533	(\$8,644,000)		(\$6,494,000)
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$31,533	(\$8,644,000)		(\$6,494,000)

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

LB 902 amends the Nebraska Revenue Act of 1967 Section 77-2716 to exclude certain income from the state income tax.

Beginning January 1, 2014 and for tax years thereafter, the bill would exclude some or all military retirement income from federally adjusted gross income (AGI) for state income tax purposes.

The amount excluded would equal one dollar for every dollar of nonretirement income, not to exceed \$60,000 for someone filing a married filing joint (MFJ) return and not to exceed \$30,000 for all other types of returns. This exclusion is reduced dollar for dollar by the amount AGI exceeds \$120,000 for a married filing joint return and \$60,000 for all other returns.

For example: For a MFJ return, if military retirement income is \$50,000 and nonretirement income is \$45,000, the amount of military retirement income excluded from AGI for Nebraska income tax purposes would be \$45,000 and \$5,000 of such retirement would be included for tax purposes.

For a MFJ return, if military retirement income is \$75,000 and nonretirement income is \$60,000, for a total of \$135,000, the exclusion would be reduced by \$15,000 (the amount AGI exceeds \$120,000). The amount of military retirement income subject to inclusion in the adjusted AGI would be \$60,000 with \$15,000 excluded.

Nonretirement income is defined as income other than military retirement income that is included in the filer's federal AGI, is earned in Nebraska and excludes investment income.

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

FY2014-15: (\$ 8,644,000)
 FY2015-16: (\$ 6,494,000)
 FY2016-17: (\$ 6,836,000)

Note: The cost for FY2014-15 is higher than the costs for the following fiscal years due to the fact that with an exemption starting with tax years beginning on or after January 1, 2014, estimated payments and withholding will have been made in 2014 that will be refunded in 2015.

The Department of Revenue indicates they will incur a one-time programming charge of \$31,533 paid to the office of the CIO to add a line to the Form 1040N, Schedule I, as well as to the NebFile online filing system.

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

