LB 938

Revision: 00 FISCAL NOTE LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)							
	FY 2022-23		FY 20	023-24			
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE			
GENERAL FUND	S \$5,253	(\$1,864,000)		(\$10,630,000)			
CASH FUND	3						
FEDERAL FUND	5						
OTHER FUND	S						
TOTAL FUND	S \$5,253	(\$1,864,000)		(\$10,630,000)			

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

LB 938 seeks to lower the corporate income tax rate. Specifically, LB 938 provides for the reduction of the tax rate on income in excess of \$100,000. LB 938 strikes the intent language enacted by the legislature in the 2021 session.

- For taxable years beginning on Jan 1, 2023, and before Jan 1, 2024: 7.00%
- For taxable years beginning on Jan 1, 2024, and before Jan 1, 2025: 6.50%
- For taxable years beginning on Jan 1, 2025, and before Jan 1, 2026: 6.14%
- For taxable years beginning on Jan 1, 2026, and before Jan 1, 2027: 5.84%

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

- FY22-23: (\$1,864,000)
- FY23-24: (\$10,630,000)
- FY24-25: (\$29,280,000)
- FY25-26: (\$53,488,000)

Additionally, the Department of Revenue estimates the need for a one-time OCIO charge of \$5,253 to implement LB 938.

There is no basis to disagree with these estimates.

State Agency Estimate							
State Agency Name: Department of	Revenue				Date Due LFO:		
Approved by: Tony Fulton	Date Prepared:		1/24/2022	Phone: 471-5896			
	FY 2022-2023		FY 2023-2024		FY 2024-2025		
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue	
General Funds	\$5,253	\$ (1,864,000)		\$ (10,630,000)		\$ (29,280,000)	
Cash Funds							
Federal Funds							
Other Funds							
Total Funds	\$5,253	\$ (1,864,000)		\$ (10,630,000)		\$ (29,280,000)	

LB 938 amends section § 77-2304.02 to change the corporate tax rates. The rate for taxable income on the first \$100,000 will remain 5.58%. The rate for all taxable income above \$100,000 will change to:

- 7.00% for tax years beginning on or after January 1, 2023 and before January 1, 2024;
- 6.50% for tax years beginning on or after January 1, 2024 and before January 1, 2025;
- 6.14% for tax years beginning on or after January 1, 2025 and before January 1, 2026; and
- 5.84% for tax years beginning on or after January 1, 2026.

The bill eliminates the provision addressing the Legislature's intent to lower the rates in future tax years after August 28, 2021.

It is estimated that LB 938 will have the following impact on the General Fund revenues:

Fiscal Year	General Fund			
1 ibear 1 ear	Revenues			
FY22-23	\$ (1,864,000)			
FY23-24	\$ (10,630,000)			
FY24-25	\$ (29,280,000)			
FY25-26	\$ (53,488,000)			

LB 938 will require a one-time programming charge of the \$5,253 paid to OCIO for the mainframe development.

Major Objects of Expenditure								
<u>Class Code</u>	Classification Title	22-23 <u>FTE</u>	23-24 <u>FTE</u>	24-25 <u>FTE</u>	22-23 <u>Expenditures</u>	23-24 <u>Expenditures</u>	24-25 <u>Expenditures</u>	
Benefits	Benefits							
Operating Costs					\$5,253			
Travel								
Capital Outlay								
Capital Improvements								
Total				\$5,253				