Doug Gibbs January 27, 2013 402-471-0051

LB 176

Revision: 00 FISCAL NOTE LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)							
	FY 2013	3-14	FY 20	FY 2014-15			
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE			
GENERAL FUNDS	\$30,248	(\$999,000)		(\$3,490,000)			
CASH FUNDS							
FEDERAL FUNDS							
OTHER FUNDS							
TOTAL FUNDS	\$30,248	(\$999,000)		(\$3,490,000)			

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

LB 176 amends the Nebraska Revenue Act of 1967, Section 77-2716 to make adjustments to income subject to Nebraska state income tax.

The bill would provide for a ten-year phase in of an exclusion of military retirement benefits to modify federal adjusted gross income.

For the tax year beginning January 1, 2014, the amount excluded would be 10 percent. The percentage would increase by 10 percent each tax year until for tax year 2023 and tax years thereafter the amount excluded would equal 100 percent.

Military retirement benefit is defined as retirement income received resulting from service in the armed forces of the United States.

The Department of Revenue estimates the following fiscal impact as a result of LB 176:

FY2013-14:	(\$ 999,000)
FY2014-15:	(\$3,490,000)
FY2015-16:	(\$6,209,000)
FY2016-17:	(\$9,137,000)

The Department of Revenue estimates a one-time programming cost of \$30,248 paid to the Office of the CIO to add a line to the Nebraska Schedule I, and a new schedule to the Form 1040N, as well as to the NebFile online system.

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

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES							
LB: 176	AM:	AGENCY/POLT. SUB: Dept. of Revenue					
REVIEW	ED BY: Lyn Heaton	DATE: 1/29/2013	PHONE: <u>402.471.4181</u>				
COMMENTS: No basis upon which to disagree with the Dept. of Revenue's analysis. It should be noted that the revenue loss beginning in FY 2023-24 when fully implemented has been estimated to be over \$35 million annually. The estimated							
operational cost to implement the bill appears reasonable.							

Fiscal Note 2013

State Agency Estimate								
State Agency Name: Department of Revenue Date Due LFA: 01/24/20						01/24/2013		
Approved by: Douglas Ewald Date Prepare		Date Prepared:	01/23/2013 Phone: 471-589		Phone: 471-5896			
FY 2013-2014		-2014	FY 2014-2015		FY 2015-2016			
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue		
General Funds	\$30,248	(\$999,000)	\$0	(\$3,490,000)	\$0	(\$6,209,000)		
Cash Funds								
Federal Funds								
Other Funds								
Total Funds	\$30,248	(\$999,000)	\$0	(\$3,490,000)	\$0	(\$6,209,000)		

LB 176 would amend Neb. Rev. Stat. § 77-2716 to exclude from federal adjusted gross income, an increasing percentage of military retirement resulting from service in the armed forces.

The percentage of military retirement to be excluded from Nebraska income tax would be 10% for tax year 2014, 20% for 2015, and would increase 10% each tax year until, for tax year 2023 and beyond, 100% of military retirement would be excluded.

The estimated reduction to the General Fund would be as follows:

FY 2013-2014	\$ 999,000
FY 2014-2015	\$ 3,490,000
FY 2015-2016	\$ 6,209,000
FY 2016-2017	\$ 9,137,000

LB 176 will require a one-time programming charge of \$30,248 paid to the OCIO to add a line to the Nebraska Schedule I, and a new schedule to the Form 1040N, as well as to the NebFile online filing system.

Major Objects of Expenditure							
<u>Class Code</u>	Classification Title	13-14 <u>FTE</u>	14-15 <u>FTE</u>	15-16 <u>FTE</u>	13-14 <u>Expenditures</u>	14-15 <u>Expenditures</u>	15-16 <u>Expenditures</u>
Benefits							
Operating Costs						\$0	\$0
Travel							
Capital Outlay							
Aid							
Capital Improvement	nts						
Total					\$30,248	\$0	\$0